

# BUSINESS WEEK

A McGRAW-HILL PUBLICATION

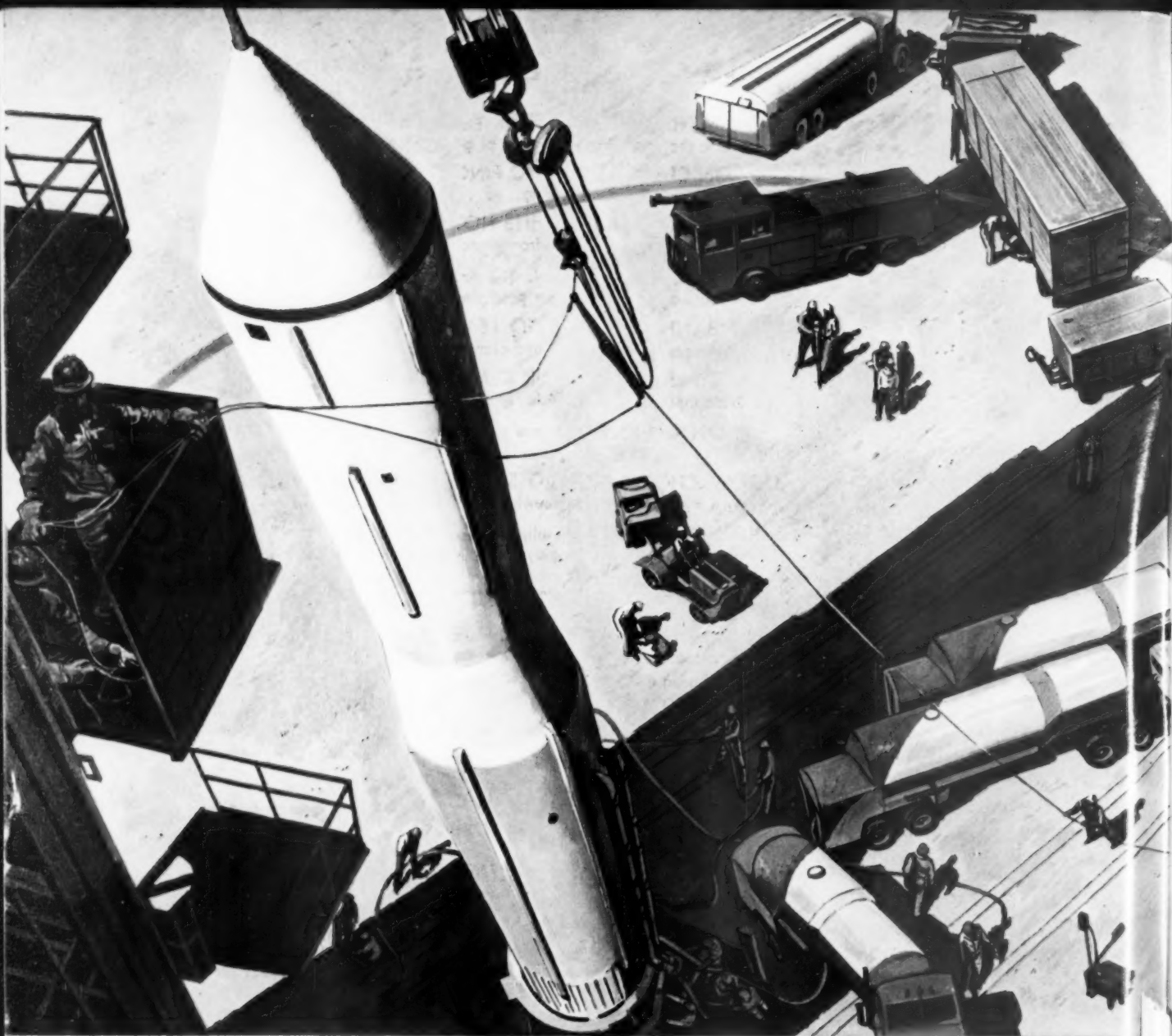
FIFTY CENTS

OCT. 3, 1959



What the Big Three offer in their  
Little Three: Chrysler's Valiant (top);  
Ford's Falcon and GM's Corvair  
(New Products)

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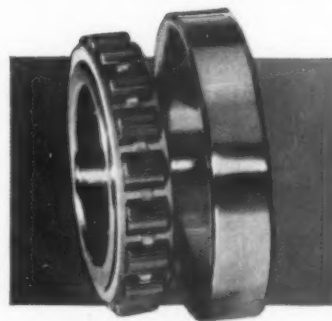


## SEARING HEAT, FRIGID COLD TORTURE MISSILE BEARINGS

When a rocket fires, each component must *be* right, *work* right, the *first* time—and operating conditions are extreme! For example, liquid oxygen sends bearing temperatures plunging to hundreds of degrees below zero . . . while engine heat roasts bearings at a near-thousand degrees. Elsewhere, incredibly precise systems move surely on bearings with millionths-of-an-inch tolerances. In these critical applications you'll find Bower Roller Bearings!

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**GENERAL BUSINESS**

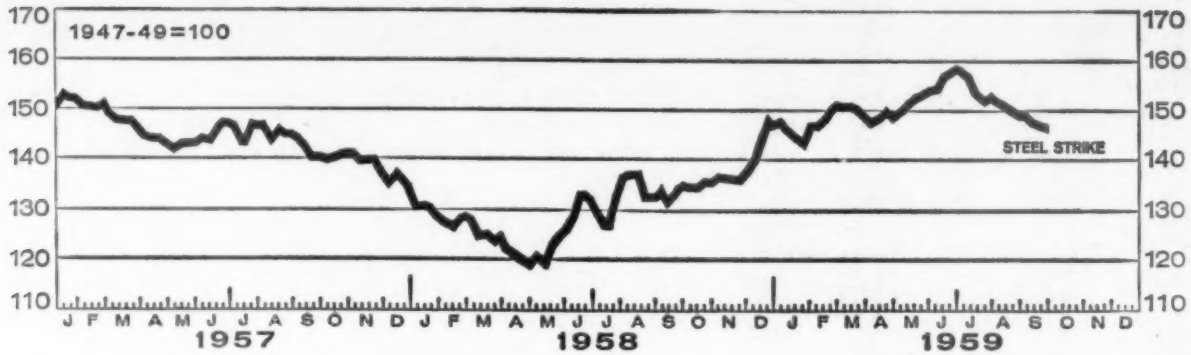
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## FIGURES of the WEEK



### BUSINESS WEEK INDEX (chart)

1953-55 Average	Year Ago	Month Ago	Week Ago	\$ Latest Week
133.3	135.5	149.9	147.5r	147.1*

### PRODUCTION

Steel ingot (thous. of tons).....	2,032	1,901	332	362r	365
Automobiles .....	125,553	38,815	18,335	62,716r	88,906
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$52,412	\$64,977	\$65,558	\$66,873	\$63,318
Electric power (millions of kilowatt-hours).....	10,819	12,342	14,109	12,779	12,878
Crude oil and condensate (daily av., thous. of bbls.).....	6,536	7,100	6,821	6,823	6,858
Bituminous coal (daily av., thous. of tons).....	1,455	1,404	1,192	1,280r	1,297
Paperboard (tons).....	247,488	308,455	323,961	327,749	336,246

### TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars).....	70	64	55	54	59
Carloadings: all others (daily av., thous. of cars).....	47	48	35	34	37
Department store sales index (1947-49 = 100, not seasonally adjusted).....	121	136	132	133r	158
Business failures (Dun & Bradstreet, number).....	198	268	257	264	282

### PRICES

Industrial raw materials, daily index (BLS, 1947-49 = 100).....	89.2	86.1	93.1	93.8	93.6
Foodstuffs, daily index (BLS, 1947-49 = 100).....	90.5	84.9	78.5	76.2	75.5
Print cloth (spot and nearby, yd.).....	19.8¢	17.7¢	19.5¢	19.5¢	19.5¢
Finished steel, index (BLS, 1947-49 = 100).....	143.9	186.6	186.7	186.7	186.7
Scrap steel composite (Iron Age, ton).....	\$36.10	\$43.50	\$41.17	\$42.50	\$43.17
Copper (electrolytic, delivered price, E & MJ, lb.).....	32.394¢	26.500¢	31.585¢	31.410¢	31.530¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.34	\$1.97	\$1.99	\$2.00	\$1.99
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	34.57¢	34.74¢	31.83¢	31.77¢	31.76¢
Wool tops (Boston, lb.).....	\$1.96	\$1.67	\$1.94	\$1.92	\$1.80

### FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 100).....	31.64	49.83	59.30	55.75	57.01
Medium grade corporate bond yield (Baa issues, Moody's).....	3.59%	4.92%	5.12%	5.21%	5.24%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	2-2½%	3%	4½%	4½%	4½%

### BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	‡	60,232	60,776	61,133r	59,716
Total loans and investments, reporting member banks.....	‡	‡	103,876	104,137	‡
Commercial, industrial, and agricultural loans, reporting member banks....	‡	‡	29,903	30,270	‡
U. S. gov't guaranteed obligations held, reporting member banks.....	‡	28,358	29,267	28,891r	33,840
Total federal reserve credit outstanding.....	26,424	26,558	28,485	28,834	29,016

### MONTHLY FIGURES OF THE WEEK

	1953-55 Average	Year Ago	Month Ago	Latest Month
Exports (in millions).....August.....	\$1,290	\$1,396	\$1,469	\$1,397
Imports (in millions).....August.....	\$ 902	\$ 950	\$1,248	\$1,190

\* Preliminary, week ended September 26, 1959.  
r Revised.

‡ Not available. Series revised.  
§ Date for "Latest Week" on each series on request.

THE PICTURES—Cover—John Coneen; 25—W. W.; 28, 29—George Kosholek Jr.; 31—London Express News from Pictorial Parade; 32—(lt.) Grant Compton; (rt) Robert Phillips; 33—Grant Compton; 38—First National City Bank of N. Y.; 47—Archie Lieberman; 64, 65—Fred Hammond; 79—Bill Reid; 88—Pictorial Parade; 90—Paris Match for Pictorial Parade; 102—(cen. & bot.) Gene Pyle; 103, 104, 106, 107, 108—John Coneen; 137—Grant Compton; 146—University of Indiana.

## HOW ONE CUSTOMER "FREES-UP" \$8 MILLION IN WORKING MONEY

With today's major demands on capital, companies are deeply concerned with the strategy of obtaining earliest availability of their funds. One corporate customer now gets the use of an additional \$8 million a year by using a clock-beating system we helped devise. Other customers report equally good results from our methods which they use to concentrate and free-up money from their widespread operations. If your banking picture involves a cash flow problem, perhaps we can develop a plan to get you more money to work with —fast. Check with us at 16 Wall Street, New York 15, N. Y.

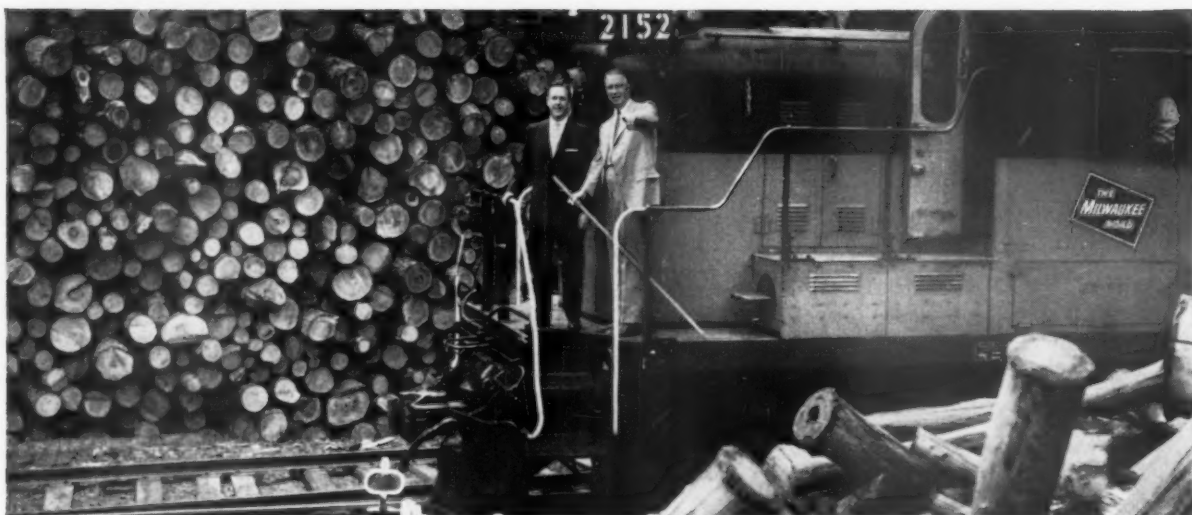


**BANKERS TRUST COMPANY, NEW YORK**

**FORWARD-LOOKING BUSINESS  
NEEDS A FORWARD-LOOKING BANK**

MEMBER F.D.I.C.





**Switch-engine Tour**—"David Smith, President of the Wausau Paper Mills Company, pointed out the 32,000 cords of pulpwood in the mill's yards to be converted into

fine papers. With the help of Employers Mutuals people, the paper company has achieved an enviable record of job safety. As a railroad man, that interests me."

A CHANGING SCENE... AND AN  
UNCHANGING WAY OF WORKING

# Wausau Story

by **WILLIAM J. QUINN**, *President, The Milwaukee Road*



"My trip to Wausau gave me much to see, and much to think about. For miles the windows of our train had framed pictures of Wisconsin's woodlands... beautiful to see, but even more significant when you're reminded that Wausau itself was built to the rhythm of the woodman's ax and the whir of the sawmill.

"Lumber was Wausau's first industry and, for many years, its only one. But the mills produced more than lumber. They created the need and opportunity for new industries, new services. That's why the first train puffed its way into Wausau in 1874, just two years after the city was chartered. And, to pay the claims of injured sawmill workers, the insurance company that was to become known as Employers Mutuals of Wausau was founded in 1911.

*We're glad you visited us in Wausau, Mr. Quinn. It was a pleasure to show you how our city has progressed from a single industry to many industries... and to tell you our plans for the future.*

*Employers Mutuals of Wausau now has 109 offices throughout the United States and the scope of our services has enlarged to serve many industries in many ways. We write all forms of fire, group and casualty insurance (including automobile) and we are one of the largest writers of workmen's compensation. Consult your telephone directory for your nearest Wausau Man or write us in Wausau, Wisconsin.*

"More examples could be cited... and you'd find them all interesting. But to me, the real story is in the dynamic way Wausau uses the past to build solidly for the present and the future.

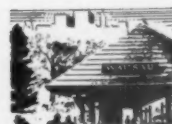
"I saw evidence of this everywhere I visited in Wausau—at the 60-year-old Wausau Paper Mills Company, at the new plant of the Drott Manufacturing Company. Today more than fifty different products are produced by Wausau industry. Additional sites are being opened and new industries are encouraged.

"This is the 'Wausau Way of working'... a way that hasn't changed since lumber was the only industry. It's a friendly kind of helpfulness, a neighborly interest, a pride in doing jobs well. But my visit to Wausau showed me that the 'Wausau Way of working' is *dynamic* too. Surely, people who work this way are 'good people to do business with'."



**New view.** "The Wausau Chamber of Commerce bought land in nearby Schofield for industrial development. Harold J. Allender (standing) points to the new plant built there by the Drott Manufacturing Company, manufacturers of crawler loaders for mounting on diesel tractors. R. J. Pollock (left) shows where other industries will locate.

**Employers Mutuals of Wausau**



*"Good people to do business with"*

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## READERS REPORT

### Corporate Democracy

Dear Sir:

Re: Power Without Property, [BW—Sep.12'59,p186] — Berle's point, though well taken, has often been mentioned by BUSINESS WEEK.

It may be said that stockholders exercise voting rights whenever they buy or sell stock, but that obviously doesn't control insiders—in fact may even be the response to their manipulations. Real corporate democracy depends on offering an alternate slate of directors, selected from or by the largest stockholders other than incumbent board and management. This selection, and the exercise of proxies, should be reviewed and certified by auditors, just as is required of fiscal data. And, of course, institutions must exercise their responsibility.

P. S. BARROWS

DEL MAR, CALIF.

Dear Sir:

I enjoyed the Berle piece but I don't understand Berle's contention that most institutional investors don't vote the stock they hold in various corporations. Both BW's Special Report on pensions [BW—Jan.31'59,p138] and the work of Robert Tilove on pensions for the Fund for the Republic both indicated that pension fund trustees, for example, do vote their stock. Most of the time this is voted for management—but not always.

E. W. WILLER

ANN ARBOR, MICH.

### Big Three TV Makers

Dear Sir:

I note that your story on Zenith, Motorola, and Admiral, Fast-Moving Trio [BW—Sep.12'59,p59], states that "Motorola is moving into closed-circuit TV, in which Zenith is entrenched." I was unaware that Zenith is in closed-circuit TV, much less entrenched. You also state that "government contracts account for something like 20% of the total for all three companies." So far as I know, Zenith does little, if any, government work, whereas Motorola is a strong factor in the field.

Please clarify.

LIONEL S. FEDOTIN

MANUFACTURERS REPRESENTATIVE  
 ELECTRONIC SALES & LIAISON  
 DAYTON, OHIO

• Reader Fedotin is right on both scores. While Zenith distributors

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install much closed-circuit TV equipment, Zenith does not sell such equipment directly. Zenith's defense work is sizably smaller than that of Admiral and Motorola.

## Hands Off

Dear Sir:

I have just finished reading Testing Managers Without Heat [BW—Sep. 19'59, p76]. I particularly enjoyed the following statement contained in that article: "Company-wide training sessions have been held, for example, in what newly appointed divisional personnel men should know about the operations of a union contract." May I say, as George Meany said, when he found that a number of college professors had aided in the writing of the Kennedy-Ives bill—"God Save Us from Our Friends."

GEORGE HAMILTON

HOLYOKE, MASS.

## NLRB Counsel

Dear Sir:

I wish to express my thanks to you and your Washington bureau for last week's article entitled Interpreter of Labor Reform [BW—Sep. 5'59, p96]. You have performed a public service in calling attention to the substantial and difficult tasks which confront us at the board. I am also grateful for your recognition of the job we have done at the Office of the General Counsel in the first two months of my tenure.

I would like to comment briefly on the statement in the article that I "concede that . . . Taft-Hartley may be labeled pro-management." A quick reading of the passage leaves one with the impression that I think such label applies. I wish to state that I do not so view the legislation.

The Taft-Hartley Act is a complex piece of social legislation with sanctions against labor and management and correlative rights for each. It represents Congress' balancing of the interests of each group and that of the individual employee and the public. As general counsel I have a duty to apply this law as the Congress intended. . . .

STUART ROTHMAN

GENERAL COUNSEL  
NATIONAL LABOR RELATIONS BOARD  
WASHINGTON, D. C.

Letters should be addressed to Readers Report Editor, BUSINESS WEEK, 330 West 42nd Street, New York 36, N. Y.

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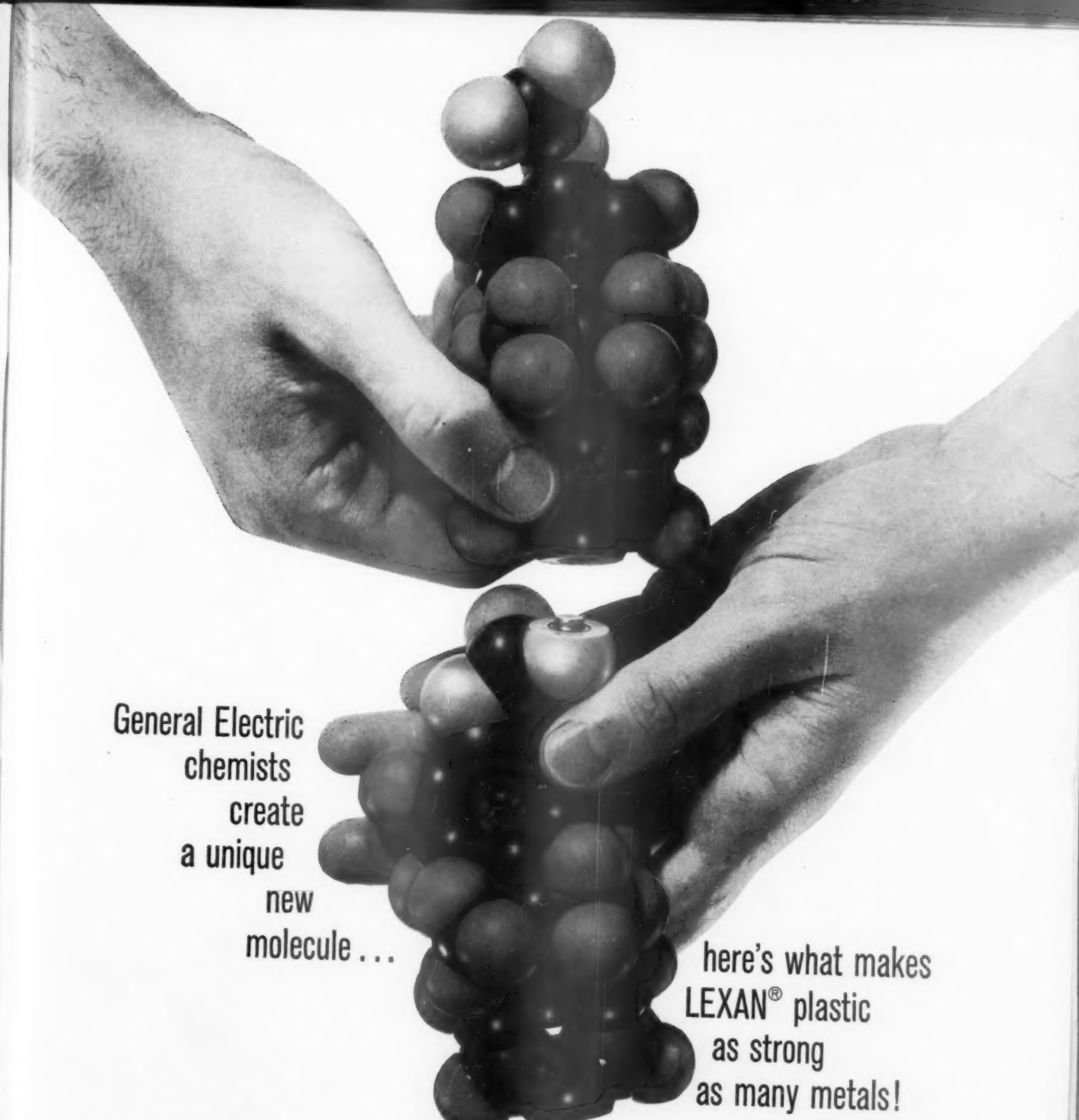
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General Electric  
chemists  
create  
a unique  
new  
molecule ...

here's what makes  
LEXAN® plastic  
as strong  
as many metals!

Take a close look at the molecular model of LEXAN polycarbonate resin that this General Electric chemist is putting together, and you'll be able to see why this unique new plastic has metal-like strength.

Symmetrical shapes are always the strongest, and every part of this molecule is symmetrical. In addition, the black and orange sections are very close-packed — nothing can penetrate them —

and the small black and grey sections contain tremendous energies — are extremely hard to pull apart.

The LEXAN molecule was carefully built for strength by General Electric researchers through their intimate knowledge of chemical "building blocks" and the properties they can impart to a material. The unique plastic they have created — tough as many metals — is already proving its value in over 100

different industrial applications.

*Through chemical research and discovery, General Electric creates new materials — new products — new opportunities.* General Electric Company, Chemical and Metallurgical Division, Bridgeport, Connecticut.

*Progress Is Our Most Important Product*

**GENERAL  ELECTRIC**

Silicone Fluids, Emulsions, Resins, Rubbers • Phenolic Molding Powders, Foundry Resins, Industrial Resins • Fused Magnesium Oxide • METHYLON® Coating Intermediates • LEXAN® Polycarbonate Resins • Mica Products, Varnished Cloths and Papers, Electrical Insulating Paints, Varnishes, Permalins, Wire Enamels, IRRATHENE® Insulation • TEXTOLITE® Decorative and Industrial Laminates • Man-Made Diamonds • Vacuum Melted Alloys • CARBOLOY® Cutting Tools • Permanent Magnets • Wire and Cable • Conduit Products • Wiring Devices • West Coast (Anaheim, California): GLYPTAL® Alkyd Resins • Polyester Resins

# Florida

...impact of natural gas



(Advertisement)

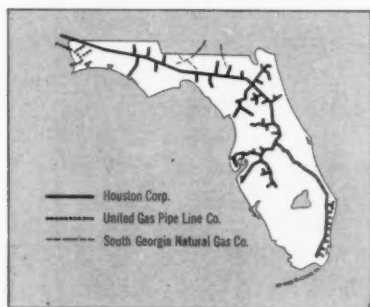
# Florida

## ...impact of natural gas

FLOWING THROUGHOUT THE STATE since The Houston Corporation opened its transmission lines last June, natural gas makes Florida more than ever an advantageous location for industry.

Virtually every important location in the state is served. Three hundred million cubic feet of gas a day are already being delivered. Another hundred million feet a day are planned for 1960.

For manufacturing, in which employment is growing ten times as fast in Florida as in the country as a whole, natural gas is a versatile new source of heat, power and raw material. With gas, untapped mineral deposits can be exploited ... more chemicals produced.



Over 1,500 miles of pipe lines form a statewide network. Natural gas for Florida is supplied by more than 50 producing fields.

The impact of natural gas on the economy of Florida is being felt everywhere in the state as gas flows into Jacksonville, Miami, Orlando, Pensacola, Tampa and 43 smaller industrial communities.

THATCHER GLASS COMPANY is building a \$3 million factory in Tampa's Industrial Park, capitalizing on the state's large deposits of almost pure silica sand. ANCHOR HOCKING GLASS CORPORATION's decision to double its Jacksonville facilities in 1957 was conditioned by the expected availability of gas.

FLORIDA TILE INDUSTRIES, INC., Lakeland, is converting to natural gas for manufacture of ceramic wall tile with an estimated saving in fuel cost of 25 per cent. An expansion of production is now under way. Manufacture of brick in Florida on a large scale has become feasible. Fuel costs for production of lime have been cut approximately in half.

MICHIGAN CHEMICAL CORPORATION opened a multi-million dollar plant in Port St. Joe to recover magnesium oxide from sea water. Natural gas is essential.

Transmission lines of The Houston Corporation, opened this summer, stretch 2,600 miles through swamps and forests, under streams and over rivers. They bring gas from the far reaches of Texas and Louisiana to the Florida border and carry it from one end of the state to the other. New investment in distributing facilities is over \$200 million.

ESCAMBIA CHEMICAL CORPORATION near Pensacola produces ammonia, nitric acid, ammonium nitrate, methanol and vinyl resins, using natural gas as both raw material and fuel. FLORIDA NITROGEN COMPANY opened a Tampa plant last summer to produce nitrogen, nitric acid and eventually ammonia.

CHEMSTRAND CORPORATION uses natural gas for operation of its 6,000-man nylon plant near Pensacola.

FLORIDA'S PHOSPHATE MINES, which produce 73 per cent of the nation's phosphate, have contracted for natural gas as a fuel. With gas, it may be possible to extract the millions of dollars worth of fluorine and other chemicals now lost in phosphate production.

### ELECTRIC POWER IN ABUNDANCE

Power companies are effecting economies by its use, and natural gas will play an important role in their expansion programs. Expansions planned for 1960-61 alone will add more than 1,500,000 kilowatts of generating capacity in the state.



Florida Power & Light Company's Cutler power plant on Biscayne Bay has 402,000 kilowatt capacity ... serves rapidly growing industry in Miami and the southeast Florida area.

The magnitude of the growth of electric power use in Florida is reflective of the rapid industrial growth of the state. Between 1948 and 1958, capacity was increased from 757,000 kilowatts to 2,868,000 kilowatts—a gain of 279 per cent. During the same period, consumption rose from 4,362 million kilowatt hours to 15,731 million hours—a gain of 261 per cent. This compares with a national increase of 115 per cent.

### INEXHAUSTIBLE WATER SUPPLIES

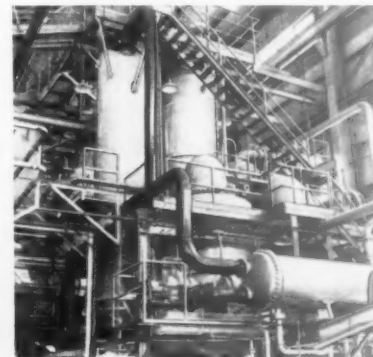
In addition to plentiful streams, rivers and more than 30,000 named lakes, Florida has a virtually inexhaustible supply of ground water. Nearly the entire state is underlaid by porous and permeable limestone which acts as a giant reservoir, constantly replenished by rainfall averaging about 53 inches a year. Some wells produce up to nine million gallons a day.

### FASTEST GROWING MAJOR STATE

People like to live and work in Florida. Population is expected to pass the five million mark in 1960. Florida's current annual increase is almost six per cent, compared with two per cent for the nation.

Between 1949 and 1959, manufacturing employment increased in Florida an estimated 101 per cent. This compares with an estimated national gain of 10 per cent for the country as a whole.

Half a billion dollars in foreign trade passed through the state's 13 deep water ports last year representing a 220 per cent increase in ten years.



Minute Maid Corporation, Plymouth, is among the citrus processors who have converted to natural gas. Estimated saving in fuel cost for citrus processing is 15 per cent. Shown here, huge evaporators which remove 81 per cent of the water from fresh orange juice.

### WRITE FOR INFORMATIVE SURVEYS

This is the tenth in a series of industrial advertisements. A file folder, *Profile of Progress*, is available through the Industrial Services Division of the Florida Development Commission covering:

*Markets, Manpower, Transportation and Ports, Climate and Living Conditions, Taxes and Government, Research, Materials and Resources, Power and Water and Industrial Growth.*

The Industrial Services Division will assist in screening available plant sites throughout Florida without revealing company identities. It will gladly provide concise facts and information tailored to the needs of any company interested in Florida as a possible location. All inquiries held in strictest confidence.

Write today to B. R. Fuller, Jr., Executive Director, Florida Development Commission, 3903-2 Carlton Building, Tallahassee, Florida.

See industrial Florida for yourself. Write State of Florida, Dept. B, Carlton Building, Tallahassee, for a new, 100-page color Vacation Guide Book to help plan your Florida tour.

Attention!  
Business Fleet  
Buyers!

60



cast

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Fleet buyers can choose from two lines of Fords for 1960!

1. The new 1960 Fords

Outside: Expect to see a whole new styling concept in the 1960 Ford. It's an integrated, harmonious styling that combines attractive newness with complete practicality.

Larger windshield and glass area all around will give 31% greater visibility, yet does not go up overhead where it could let in unwanted sun glare and heat. New hood contours will give a better view of the road. Strong Thunderbird influence, particularly in the rooflines, will help assure highest resale value.

Inside: Every statistic, every test points to the 1960's as the finest Fords of a Lifetime and the most comfortable cars in Ford's field. Leg, shoulder and hip room are increased. Getting in and out will be far easier thanks to wide-opening doors—bigger than those in your home—and Ford has eliminated the old-fashioned "dog-leg" that jutted into the door opening. There's a new suspension system, too. New Wide-Tread Design sets wheels 5 feet apart, springs are a full 5 feet long—it rides and handles like a Thunderbird.

Economy, a major strongpoint: You'll get new Six or Thunderbird V-8 power on lower-cost regular gas. Exclusive Full-Flow oil filtration will allow up to 4,000 miles between changes. And here's big news—brakes will be truck-sized, with 25% more lining area—biggest ever in Ford's field. Big 66-plate, surer-starting battery will be standard. Mufflers will be aluminized for double the life of ordinary types on other cars.

2. The New-Size Ford . . . the Falcon

The Falcon is the world's most experienced new car . . . developed through more than 3 years and 3 million miles of rigorous testing and proving.

- You get up to 30 miles per gallon on regular gas.
- Brand-new, six-cylinder engine—of proven design—will be up front for greater safety and stability.
- Six big adult passengers and all their luggage fit comfortably in the Falcon.
- Handling is so easy that power brakes or steering are unnecessary . . . another big advantage of front engine design.
- Performance, particularly on superhighways, hills and mountains, matches the "big cars."
- MagicAire hot-water heater uses free engine heat for complete fresh-air heating comfort. A gas heater could boost gas consumption by as much as 10%.

Maintenance is easy in the Falcon's new, simplified, thoroughly proved design; and service and parts will be available immediately at the 7,000 Ford Dealers all across the country. Ford mechanics will not need to learn new and complicated procedures to care for the Falcon.

The two all-new 1960 Business Ford lines can be seen at your Ford Dealer's on October 8.

---

*Convenient coin changers—companion to automatic vending machines...*



*World's largest manufacturer of separate 5¢, 10¢, 25¢ and 50¢ coin changers. District offices in 18 cities throughout the United States and Canada.*

*Also inquire about  
these other STANDARD  
CHANGE-MAKER products*

**Reduce**

**coffee break time**

**up to 20% more!**

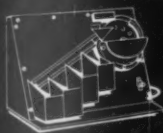


Automatic vending machines have gone a long way toward helping solve the problem of high-cost coffee break time. Now, convenient STANDARD CHANGE-MAKERS can save from 3 to 6 minutes a day more per employee. Change-Makers can also help speed movement through automatic cafeterias.

Sturdily built and easy to mount on wall or post, STANDARD CHANGE-MAKERS come in 27 different models for 5¢, 10¢, 25¢ and 50¢ coins, manual and electric, dispensing various combinations of coins. Select the machine or machines to fit your need. Write today for full information.

**STANDARD CHANGE - MAKERS, INC.**

422 East New York Street • Indianapolis 2, Indiana



COUNTER AND SORTER



MULTI CHANGER-MANUAL



CHANGE MASTER-ELECTRIC

# DYLITE<sup>®</sup> PRODUCTS



## INSULATED DYLITE CUP FOR THE DISPENSER INDUSTRY

This is Thermokup\*—a throw-away plastic cup that insulates like a vacuum bottle, yet is only 1/10 of an inch thick. Because this cup is made of DYLITE, hot beverages stay hot and cold beverages stay cold longer. More important, you can hold Thermokup comfortably in your hand with almost no sensation of heat or cold. DYLITE is also used widely in the refrigeration and air conditioning fields, because it has superior moldability, a low rate of water vapor transmission, and possesses a K Factor of 0.242 at 2 lbs./cu. ft. density and a 75°F. mean temperature.

*Thermokup Molded by:*  
Mid-West Pak Corporation, Belvidere, Illinois  
Crown Plastic Cup Company, Fort Worth, Texas  
Polychemical Industrial Ltd., Edmonton, Alberta, Canada  
Patents applied for by: Crown Machine & Tool Company,  
Fort Worth, Texas  
\*Trademark of Crown Machine & Tool Company, Fort  
Worth, Texas



## STRONG, DYLITE-MOLDED CHAIR FORMS FOR THE FURNITURE INDUSTRY

Molded DYLITE plastic forms are now being used as the basic structure for this modern-styled Futorian Chair. It is one of the newest innovations in upholstered furniture. Why? Because the entire frame is molded-to-shape in a single operation. The chair itself weighs between 25 and 30 pounds; a similar chair with a wood frame would weigh more than 80 pounds.

*Here are some of the reasons why DYLITE was chosen:* DYLITE is stronger than wood; it is more economical to use; it is 66% lighter than the material previously used; it is shock-absorbent and warp-resistant. More important, it gives the designer additional creative freedom, and allows him to design shapes and sizes that were previously impractical. Because DYLITE is dimensionally consistent, there is no variation from frame to frame—all covers can be pre-cut and pre-sewn.

*Chair manufactured by: Futorian-Stratford Furniture Co., Chicago, Illinois*

## LIKE TO LEARN MORE ABOUT DYLITE?

If you'd like to get more information about DYLITE expandable polystyrene, and how it may help to solve one of your problems, write now to Koppers Company, Inc., Plastics Division, Dept. BW-109, Pittsburgh 19, Pennsylvania. We'll be glad to answer your questions, and offer technical assistance.

TS

# MAKE NEWS IN FOUR MAJOR INDUSTRIES

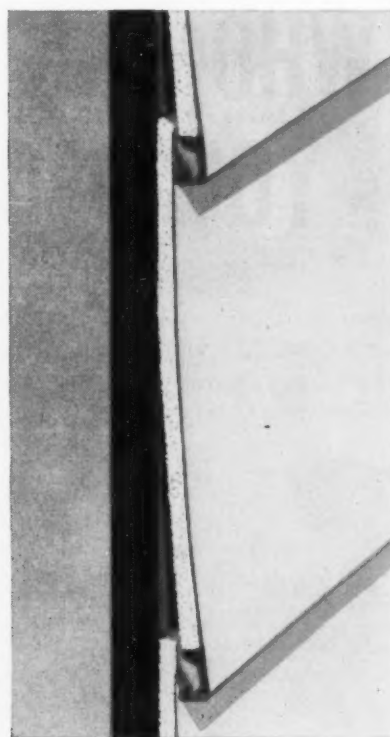


## SHOCK-ABSORBENT DYLITE COCOON FOR THE PACKAGING INDUSTRY

Normally, it takes time to prepare a typewriter for shipment! At Royal McBee Corporation, this job used to require heavy slabs of cardboard and yards of tape, cord and wire—and lots of expensive time preparing each machine for shipment. But, now Royal Electric Typewriters are packed and shipped in 3½-pound DYLITE foam cocoons.

*This new DYLITE pack offers shock-resistant protection, thanks to two characteristics: shock absorbency and moldability. DYLITE molds to fit the intricate contours of odd-shaped products, such as typewriters, thus holding movable parts firmly in place. The new DYLITE pack cuts shipping costs since it weighs only one-third as much as the old container; and its simplified design has reduced handling time four and a half minutes. DYLITE's unique combination of properties makes it highly suitable for industrial or consumer-type packages.*

*Cocoon package molded by: Worcester Moulded Plastics, Worcester, Massachusetts*



## LIGHTWEIGHT DYLITE-BACKED ALUMINUM SIDING FOR THE BUILDING INDUSTRY

Because it has a bonded DYLITE backing, three-eighths of an inch thick, this colorful aluminum lap siding has three times the insulation of wood. Since DYLITE is lightweight, it is a simple task for one man to install these aluminum panels. Moreover, DYLITE is strong, low cost and water-resistant. It will not warp or rot. It is safe from vermin and mildew damage. These aluminum panels meet F.H.A. Specifications. DYLITE also has proved to be an outstanding vapor barrier around perimeters and slabs and in crawl spaces.

*Aluminum Siding by: ALSCO, Inc., Akron, Ohio*

Offices in Principal Cities • In Canada: Dominion Anilines and Chemicals Ltd., Toronto, Ontario

# KOPPERS PLASTICS



# MEET A MAN WHO CAN HELP YOU DECIDE!

Here you see a member of our Industrial Development staff introducing an industrial prospect to the local Plant Manager of a factory. The prospect may or may not care to identify the company he represents. It makes no difference. The Plant Manager knows that his visitor comes well recommended or we would not have introduced him.

Chances are, after this introduction our representative will temporarily bow out of the picture. He wants the visiting industrial prospect to hear unbiased, straight-from-the-shoulder comments about the region from the man most qualified to give them—the manufacturer who is already there. Many pertinent questions about the availability and quality of labor, community attitude, tax rate and other vital factors that go to make up the “industrial climate” of an area will be frankly asked and just as frankly answered.

How does the industrial prospect feel about this? Here's what one prospect recently wrote to us after spending several days with one of our Industrial Development staff: “I can't tell you how much I appreciate your very great kindness and splendid assistance received from the Southern Railway representatives as a whole. Without your help I could have been wandering around wasting a lot of time and not getting very far.”

Why not let our Industrial Development staff help you make *your* plant-site decision? You'll find industrial opportunities are unlimited when you . . . “*Look Ahead — Look South!*”

*Harry A. DeBette*  
President



## SOUTHERN RAILWAY SYSTEM

WASHINGTON, D. C.

THE SOUTHERN SERVES THE SOUTH

*ALL AMERICA IS GROWING—BUT THE FAST-GROWING  
YOUNGSTER OF THE “FAMILY” IS THE MODERN SOUTH!*







**Add enjoyment to mealtime with dining areas  
furnished and decorated by GF**

Dr. Bertrand Klass, Vice President and Senior Psychologist of Forbes Marketing Research Inc., says: "The physical environment of an eating place is far more significant than many people realize; it creates very strong feelings in guests and employees—on both conscious and subconscious levels. Often the physical atmosphere is as important as the food in determining where people prefer to eat."

To create a pleasant dining atmosphere, call on GF. They offer you everything you need; a complete

design and decorator service and a full line of tables and chairs in smart contemporary stylings. Attractively designed in eye-pleasing colors, fabrics and finishes—cushioned with deep-comfort foam rubber—Goodform aluminum chairs add to the pleasure of mealtime, year after year.

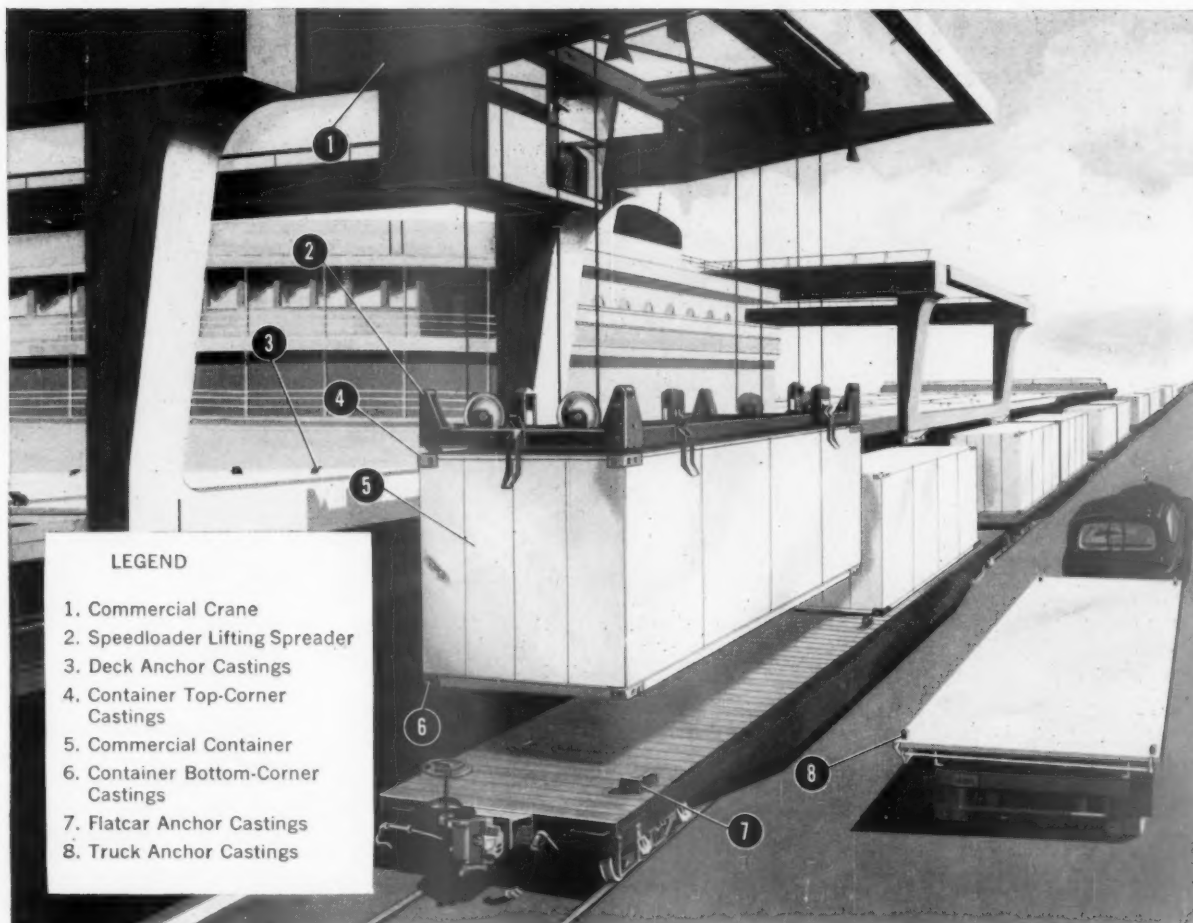
It's easy to learn more about GF dining furniture and services—just call your local branch or dealer, or write The General Fireproofing Co., Dept. B-32, Youngstown 1, Ohio.

**GF**

**GENERAL FIREPROOFING**

**METAL BUSINESS FURNITURE**

**NOW**—standardized, fully automatic cargo container handling



**LEGEND**

1. Commercial Crane
2. Speedloader Lifting Spreader
3. Deck Anchor Castings
4. Container Top-Corner Castings
5. Commercial Container
6. Container Bottom-Corner Castings
7. Flatcar Anchor Castings
8. Truck Anchor Castings

## NEW—NATIONAL SPEEDLOADER SYSTEM

can be built into any container and any crane by any manufacturer

**NATIONAL'S SPEEDLOADER SYSTEM** is the first fully automatic cargo container handling system to offer standardization to all carriers and shippers. It is adaptable to all forms of transportation—ship, railroad, truck, barge and airfreight.

**ADAPTABLE TO ANY CONTAINER**, crane or vehicle, National supplies only the essential Speedloader components to commercial producers of these items. That means users can purchase their cranes from any crane manufacturer, their containers from any container manufacturer.

**VERSATILITY OF THE SPEEDLOADER** concept of containerized cargo handling provides for automatic operation (electric, hydraulic, pneumatic) on shipboard or shore, as well as semi-automatic methods (fork-lift truck, roller conveyor, hook-hoisting), or even manual operation (electric hoist, A-frame) in smaller plants.

**LOWER CARGO HANDLING COSTS**, through increased capability for cargo handling, is only one of the advantages. Other important advances: sharply reduced terminal time, lower crating and packaging costs, reduced damage to merchandise, elimination of theft and pilferage.

A-590A

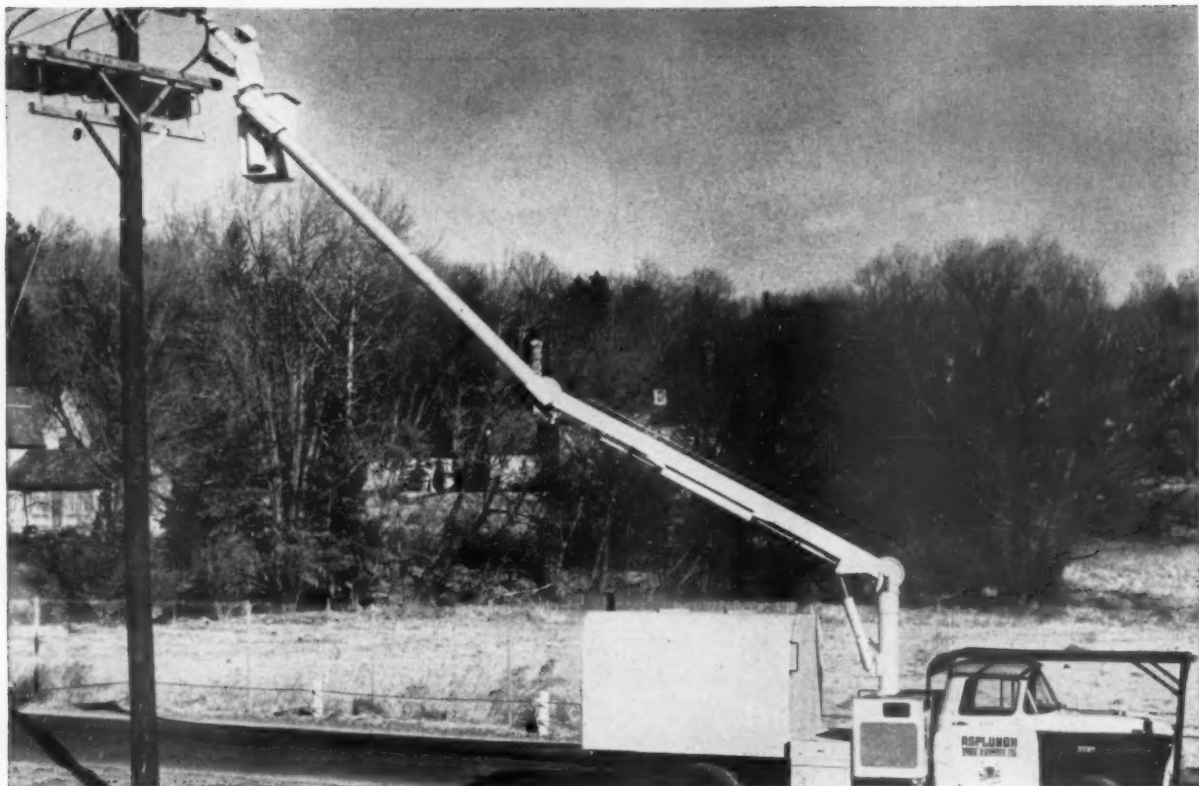


Transportation Products Division

**NATIONAL MALLEABLE AND STEEL CASTINGS COMPANY**  
CLEVELAND 6, OHIO

A request, on your business or professional letterhead, will bring your copy of Bulletin 13959 "National Speedloader Container Handling System" by return mail.

# HOW **HERCULES** HELPS...



**MEN OVER THE WIRE**—Spiralloy®, the filamentwound glass fiber-reinforced plastic material made by Hercules, is being used for booms on truck-mounted cranes of utility companies and tree surgeons. Since it is a nonconductor of electricity, Spiralloy

is particularly well-suited for this application. Lighter than aluminum and stronger than steel, it has unmatched high-strength-to-weight ratio. Spiralloy-wound cylindrical structures also are gaining acceptance in such fields as missiles, boats, pipe, and storage tanks.

Photo courtesy Asplundh Tree Expert Co., Jenkintown, Pa.



**INCREASE SHOE LIFE**—A new Hercules material now goes into specially impregnated leather shoe soles that actually "breathe" and have many times the wearability of leather soles. Developed in cooperation with the U. S. government, this product has already proven itself in many types of footwear.

**MAKE DRIVING ECONOMY**—Among the many Hercules items that go into your automobile is Dalpac® 4, Hercules di-tert-butyl-p-cresol. This antioxidant is added to gasoline at the refinery to inhibit gum formation, stabilize color and help maintain engine cleanliness. It means more trouble-free miles of driving for you.



## HERCULES

**HERCULES POWDER COMPANY**

INCORPORATED  
900 Market Street, Wilmington 99, Delaware

**CHEMICAL MATERIALS FOR INDUSTRY**



Q59-7

# BUSINESS OUTLOOK

BUSINESS WEEK

OCT. 3, 1959



Autumn is here. Football and the World Series are proof enough—even though the traditional business upturn is behind schedule.

If Columbia University's new gridiron huddle isn't getting all the attention it might merit, you can blame that on the huddles in Washington aimed at quite a different goal: getting steel back in operation.

—•—

The new autos are being unveiled, weeks earlier than usual.

This, normally, would be the time when everyone asks, "How are they going to sell?" How they sold, in turn, would determine production schedules and pretty much set the tone for business generally.

But this time it isn't how they sell but how many can be built.

Auto output will be at a 6-million-a-year clip by next week.

Never before has the industry got so high so early in the season. This should mean—if car producers were able to lay hands on the steel—a rate of 8-million a year by the end of October.

In fact, to meet the October production rate the industry originally set for itself, output would have had to rise that rapidly.

These bright figures on what the auto industry might do or would like to be doing are, unfortunately, just a mite fanciful.

Everything hinges on all the big "ifs" in steel.

So, where we might otherwise count on autos to power an over-all boom in production, employment, and income, we now can only hope.

Chevrolet is off the line fast. It turned out some 25,000 cars (including 5,000 Corvairs) last week. That's probably about 50% of capacity for this leader in the lower-priced field—though capacity for the combined Corvair-Chevrolet operation has to be partly a guess.

Both Oldsmobile and Pontiac reported more than 7,000 cars built last week (tidy totals, since neither has gone much above 10,000 a week in some time) to help bolster General Motors' early figures.

But Chevrolet in particular and GM divisions in general fear the steel pinch will cripple schedules before the month is out (page 28).

Ford's output last week ran about 19,000. But perhaps this isn't quite so big as it looks, for the division's totals now include Falcons as well as the steadily growing number of Thunderbirds.

Chrysler, meanwhile, is only now beginning to get up steam.

Probably neither the Ford nor the Chrysler people are unduly concerned about GM's fast start; they seem confident that their more comfortable steel supplies will help them make up ground.

American Motors (which crossed 50% of capacity last week on new-model Ramblers) made its competitive pitch against the new "compact" cars just ahead of the Corvair's public bow: Rambler's warranty on mechanical parts will be increased to one year or 12,000 miles—substantially more liberal than has been standard for the industry in the past.

# BUSINESS OUTLOOK (Continued)

**BUSINESS WEEK**

**OCT. 3, 1959**

Booming demand for new automobiles and the resumption of steel operations might help the oil industry out of its newest muddle.

However, the problem is now. The industry hasn't done much to help itself out of the hole. And outside aid couldn't come soon enough.

Looked at superficially, at least, the crude oil supply situation might seem to be well in hand. Stocks in storage have been pulled down sharply in the last couple of months.

Cuts at the well are partly responsible. That's on the plus side.

But most of the drain has been due to high refinery runs. These have cut crude stocks, true enough, but the main result has been a large and steadily growing oversupply of petroleum products.

Prices of fuel oil of the type used to fire home furnaces have stiffened a bit with the first cool weather of fall. But, prior to this minor upturn, they were at the lowest point in over five years.

Stocks, as we enter the heating season, are substantially higher than last year—and they were regarded as burdensome a year ago.

Woes in the gasoline market have become apparent to the motorist.

Price cutting has been pretty general. Some areas have felt cuts, in fact, that largely offset the federal tax boost of 1¢ a gal.

Stocks of the heavy burning oils, used by ships and industrial boilers, have been held down by reduced imports. They might have become short but for the reduction in demand caused by labor troubles.

A resumption of the rise in business activity could, presumably, result in a price squeeze here. However, Washington seems set to counter this possibility by increasing import allotments.

Don't be surprised if last week's refinery cuts mark a trend.

The big companies already are being bitterly accused by independents of deliberately putting too much oil through their stills. The object, the independents insist, is to improve margins on refined products.

But it's a complex matter. Margins doubtless are a factor. Also, one company won't cut back to let another take over its markets (while industry is too wary of "conspiracy" to act as one).

And it is true, too, that import quotas are based on refinery runs.

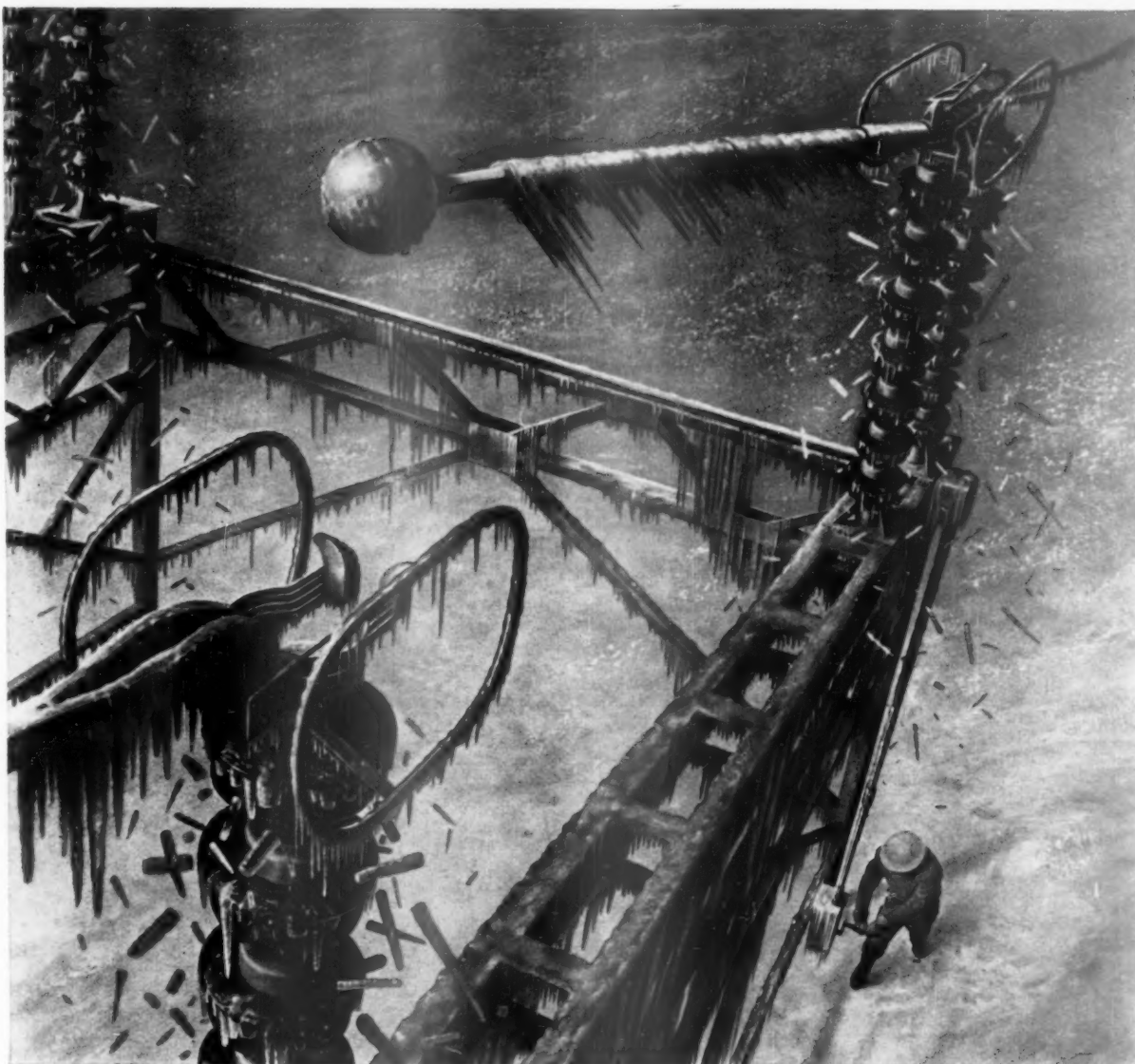
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Now the steel situation is beginning to pinch demand for other metals. Production of primary aluminum in August fell only slightly from the July record, but September will be down more sharply.

And August shipments of rolled products tumbled from July's rate (which had been padded to some extent in expectation of strikes).

—•—

**Cost-of-Living Note:** Hair cuts now cost \$2 in the section of Missouri and Illinois known as the Tri-City area (Granite City, Venice, and Madison). In nearby St. Louis, the price so far remains at \$1.75.



Winter brings the menace of ice that power utility men dread. But I-T-E switches smash out with almost summertime ease. Here, Ned Seidler paints the dramatic moment when the icy bonds are shattered.

## SMASHES OUT OF INCH-THICK ICE TRAP

Just when electricity is needed most . . . against darkness and cold . . . winter's icy hand takes its tightest grip. Here the ability of I-T-E power switches to smash out of ice pays off. For power companies need these high-voltage switches at vital points along transmission networks to maintain continuous electric power service. Even under an inch-thick blanket of hard ice, I-T-E switches open with ease and safety—the result of countless details of superior design. This is the reputation of all I-T-E electrical equipment: consistently superior quality for better performance. Yet it costs no more. Enthusiastic users include

electric power companies and large consumers of electricity everywhere.

**Divisions:** • Switchgear • Small Air Circuit Breaker • Transformer & Rectifier • Special Products • Greensburg • BullDog Electric Products • Victor Insulators • Kelman Power Circuit Breaker. **Subsidiaries:** The Chase-Shawmut Co. • Walker Electrical Co. • Wilson Electrical Equipment Co. • In Canada: BullDog Electric Products Co. Ltd. • Eastern Power Devices Ltd. • Canadian Porcelain Co. Ltd. • Headquarters: Philadelphia, Pa.



**I-T-E CIRCUIT BREAKER COMPANY**

# Lockheed JetStar—world's fastest corporate plane— 4-Engine performance and reliability

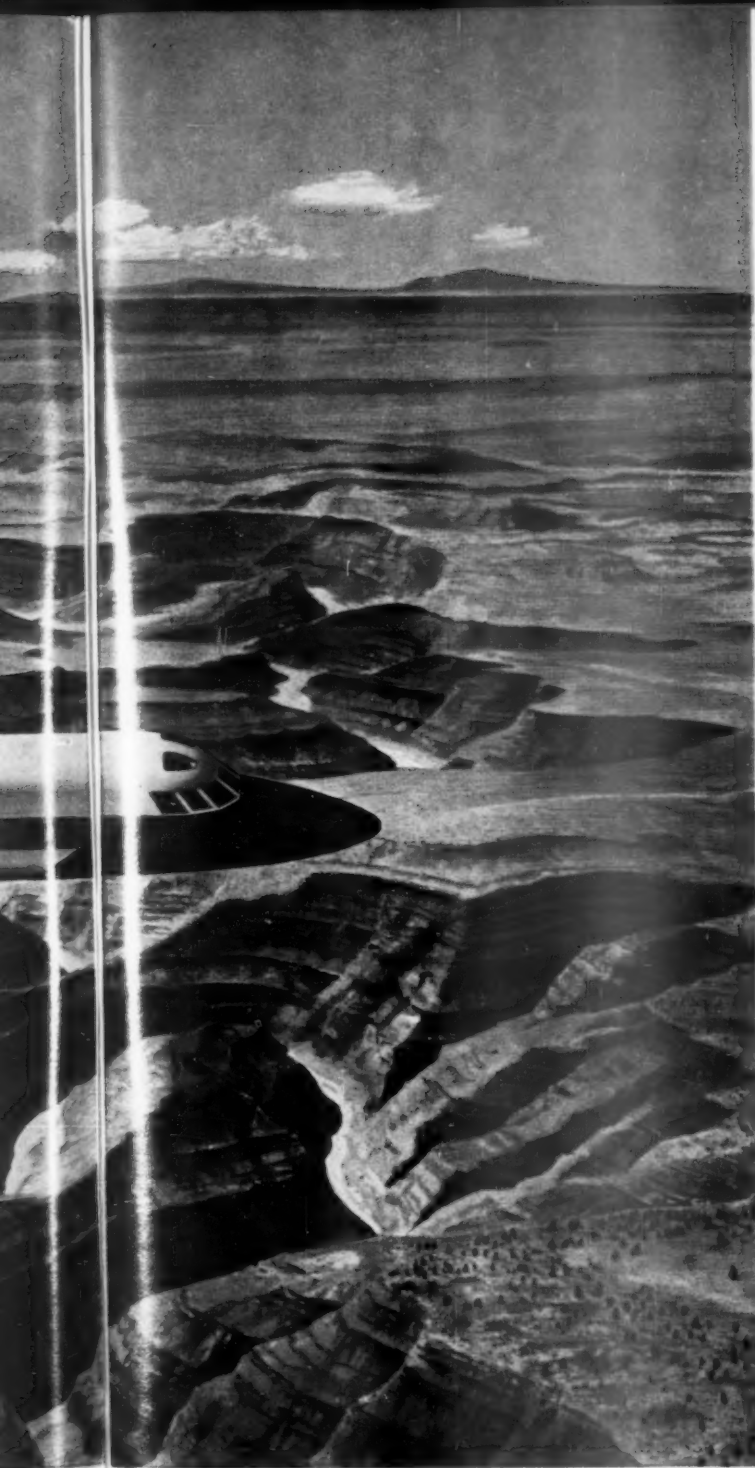


**The magnificent new JetStar** provides traveling executives with all the speed, safety, and reliability of a large jet airliner—plus the added convenience of being able to land in hundreds of cities with airport runways shorter than 5,000 feet.

Powered by four aft-mounted Pratt & Whitney JT-12 jet engines—each developing 3,000 pounds of thrust—the JetStar is the quietest, safest, fastest corporate plane now flying. A full 200 miles per

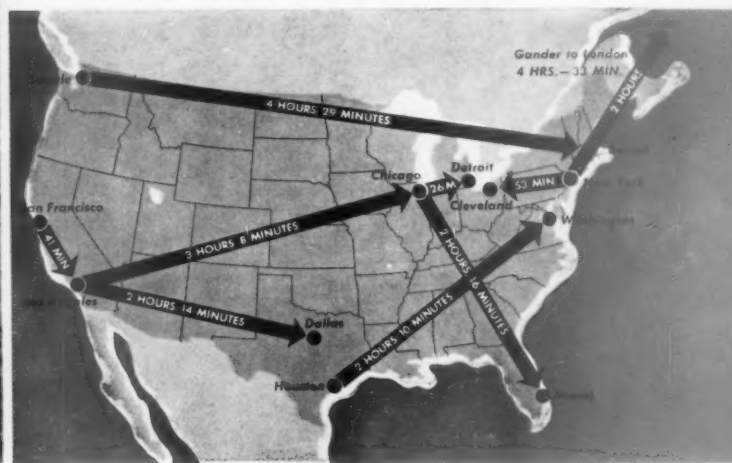
hour faster than piston-engine and turbo-prop planes, the JetStar has power to spare. With a full payload, it can fly and climb on only two engines.

*If you would like a JetStar Route Survey made of your air transportation requirements—without cost to you—please write: JetStar Commercial Sales, Lockheed Georgia Division, Marietta, Ga.*



**Fully pressurized and air-conditioned**, the JetStar's spacious cabin is amazingly quiet and vibration-free in flight—permitting you to work as efficiently as in your own office.

**On-time arrivals** are routine in a Lockheed JetStar—because it flies at altitudes up to 45,000 feet, above bad weather that all too frequently grounds other types of corporate aircraft.



# LOCKHEED

JET TRANSPORTS • JET FIGHTERS • JET TRAINERS • COMMERCIAL & MILITARY PROP-JET TRANSPORTS • ROCKETRY  
 BALLISTIC MISSILE RESEARCH & DEVELOPMENT • WEAPON SYSTEM MANAGEMENT • ANTI-SUBMARINE PATROL AIRCRAFT  
 NUCLEAR-POWERED FLIGHT • ADVANCED ELECTRONICS • AIRBORNE EARLY-WARNING AIRCRAFT • AIRPORT MANAGEMENT  
 NUCLEAR REACTOR DESIGN & DEVELOPMENT • GROUND SUPPORT EQUIPMENT • WORLD-WIDE AIRCRAFT MAINTENANCE

**Experience—the added alloy in Allegheny Stainless**



## Behind your Allegheny Ludlum salesman . . .

stand 880 metal experts. This Allegheny Ludlum "back-field" of engineers and service personnel has greater depth than that of any other specialty steel producer. The team consists of:

**380 Research and Development men**—who create new alloys, find new applications for today's alloys, and offer you every possible help in using them.

**300 Quality Control men**—who eagle-eye each manufacturing phase with rigorous testing of all kinds.

**200 Customer Service men**—who understand and solve customers' special problems, eliminate extra work on order-

ing and billing, answer inquiries promptly, and act as your expeditor.

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TWO DAYS OF TALK AT THE TOP BRINGS . . .

## A Shift in the World Picture

When Pres. Eisenhower decided two months ago to invite Soviet Premier Khrushchev to come to the U.S., he was taking one of the boldest gambles of his career. He was betting that as a result of their private talks it would be possible to break the deadlock on Berlin and, more generally, take some of the tension out of U.S.-Soviet relations.

• **Pay-Off**—This week the President seems satisfied that his gamble has started to pay off. From the news that has filtered from Camp David plus Eisenhower's remarks at a special Monday press conference, you can see that he now hopes for these developments over the next six months or so:

- An end to the Berlin deadlock, and at least a temporary settlement based on some new formula.

- A controlled ban on nuclear bomb tests as a first step toward disarmament.

- More normal U.S.-Soviet trade relations, once agreement can be reached on a lend-lease settlement.

Behind this optimism lies a new Eisenhower conviction: Khrushchev is genuinely interested in a cold war truce.

The President feels he now understands all that has been done since Stalin's death to liberalize the Soviet system. More important, he has the impression that Khrushchev has a real economic interest in reducing the cost of the arms race. The first is making it easier for the Soviet Union to seek some accommodation with the West, and the second almost makes it necessary, in the President's view.

### I. Long-Range Hopes

Now Eisenhower intends to push his gamble to the limit. He plans to negotiate with the Soviets on almost every problem that seems negotiable. By the end of his term he would like to see the U.S. and the Soviet Union as firmly committed to seeking better relations as they were to waging the cold war at the time he moved into the White House. Even if he can't accomplish all that, Eisenhower figures, he can make the international atmosphere less inflammable.

Detailed negotiations during the coming year will be long and hard. They

may come to very little in the end. But what Eisenhower hopes for is this:

- First, a four-power summit meeting—probably preceded by a short foreign ministers meeting. This will start before Christmas, or at the latest early in the new year. An interim agreement on Berlin and a ban on nuclear tests might come out of this meeting. The President has agreed on a summit session, subject to the approval of London, Paris, and Bonn—and that will be forthcoming. Khrushchev has suggested Geneva as the place and that's all right with Washington.

- Later, another meeting between the President and Khrushchev—in Moscow, probably next June. During this round, Eisenhower will try to open up new ground for later progress on disarmament and will at least tackle the larger problems barring the road to a German settlement.

- Meanwhile, negotiations at lower levels on a whole series of issues. There will be continued U.S.-Soviet negotiations on cultural exchanges. More cooperation in developing the peaceful uses of nuclear energy and in medical

research will be sought. Khrushchev's ambitious disarmament proposals and new Western ideas on disarmament will be thrashed out at the U. N. and in the new 10-nation commission slated to start work next January.

- **Simultaneously**, new negotiations to try to settle Moscow's lend-lease debt to the U. S. could open the door to expanded trade. The timing depends on how fast Khrushchev moves to settle the lend-lease question, clearing the way for amendment of the Johnson Act. (This act forbids the extension of anything beyond 90-day credits to nations, such as the U. S. S. R., that are in default on government debts. Even if the Soviet Premier pushes for a quick deal on lend-lease, and he might well do this, it will be January before Congress can do anything about the Johnson Act. And there could easily be a delay beyond January if the Berlin and test ban issues haven't been settled by then. It's even possible that an understanding on trade will have to wait until Eisenhower makes his visit to Russia next May or June.

## II. Personal Understanding

The road ahead clearly has been smoothed by the better understanding that Eisenhower and Khrushchev already have established between each other. It's obvious that the President has impressed the Soviet Premier with his dedication to peace and his own desire to slow down the arms race. Khrushchev, for his part, seems to have made a strong impression on Eisenhower, not only as an "arresting personality" but as a man with whom it is possible to negotiate. The President was far from sure of that when he extended his invitation.

- **Penalties for Failure**—There's also the fact that both men have been making public commitments to each other. In effect, they are placing public bets, payable in the political coin of their respective countries, on each other's sincerity. Both will be hurt at home by any failure now. Eisenhower clearly was doing this during his Monday press conference; at about the same time in Moscow, Khrushchev did the same thing during his arrival-home speech. The Soviet Premier not only praised Eisenhower to the skies, but also took the unprecedented step of calling for a cheer for "Soviet-American friendship."

From Washington's angle, though, the great advance in this area of commitments came from the joint communique on the Camp David talks. In this document, Khrushchev solemnly agreed that issues such as Berlin "should be settled not by the application of force but by peaceful means through negotiation."

U. S. officials also feel that Khrushchev now understands that to get a real truce in the cold war he will have to get Red China to pipe down some, perhaps even renounce the use of force. On his arrival in Peking this week, the Soviet Premier seemed to be moving in this direction. But Peking's price for following Khrushchev's line may well be large new Soviet credits that would help Red China get out of its present economic troubles.

- **Skepticism**—There are American experts on the Soviet Union who take this whole approach with a grain of salt. These experts argue that Khrushchev is engaged in a typical Soviet "peace offensive"—to give him time to get off the hook in Berlin and to pick up whatever propaganda and trade advantages he can get in the process. After Eisenhower's visit to Russia, say these experts, Khrushchev will change course again. He will exert some new pressure on the West, perhaps in the Middle East. In the meantime, he will negotiate about Berlin, but not with the idea of settling that issue—unless it can be done as part of a large disengagement deal.

- **Counter View**—The President's advisers would challenge this assessment of what Khrushchev is up to. They are convinced that he wants an accommodation for at least several years. He needs that kind of time to satisfy the average Russian's desire for peace and better living standards, to open the door to U. S.-Soviet trade, and to find new opportunities for splitting the West.

At the same time, according to this view, Khrushchev wants the West to recognize—in territorial terms—the new power position the U. S. S. R. has acquired. Specifically, he wants recognition of Soviet control over Eastern Europe, including the neutralization of West Berlin.

From the U. S. angle, there's a real contradiction here. If Khrushchev pushes the second of his aims too hard, he can't expect the West to agree to the first, however much we may want to reduce tension for our own reasons.

- **The Problem**—One high U. S. official, who was close to the Camp David talks, put the problem this way this week:

"It now seems clear that we both want to achieve a long-term political stabilization as a basis at least for stopping the arms race where it is and possibly for getting some actual disarmament. But Khrushchev may expect stabilization to take place in Europe at a line which is too far advanced for us to accept."

For some time, in fact, Khrushchev has been backing away from his original demands in Berlin. And he seems to have tied his own hands with the joint renunciation of the use of force in the Camp David communique.

Eisenhower says flatly that we are no longer under any threat in Berlin. Any interference with Western access to Berlin—even by nominally legal means—would constitute the use of force in the meaning of the joint declaration. And Eisenhower is confident that Khrushchev understands this.

- **Concessions?**—To achieve that much, Eisenhower seems to have made concessions going beyond those offered at the Geneva foreign ministers conference. At his press conference the President talked in entirely new terms about the Berlin situation. He referred to it as "abnormal," then refused to say what Western rights might be guaranteed by the settlement he expects.

The State Dept. denies that the President's words implies any shift in American policy. But there is a feeling around that he is moving toward an internationalized setup in Berlin, with the United Nations playing a key role. That would go part way toward meeting the Soviet demand for a "free city." And West Germany was worrying about this at midweek.

## II. Genuine Thaw

Whatever the outcome at Berlin, there can be no doubt that Eisenhower and Khrushchev have done more in two days of conversation to unfreeze the rigid cold war positions than their subordinates did in years. This has made possible an open-minded re-examination of all the areas of the East-West conflict. There hasn't been such a display of personal diplomacy since the wartime encounters of Roosevelt, Churchill, and Stalin.

- **The Risks**—There are risks to both sides in this sort of diplomatic thaw.

For the U. S., there is the danger that if negotiations lead to nothing, it will be hard for Eisenhower to rally Western and American public opinion for a resumption of the cold war.

For Khrushchev, exposing his people to a long period of freer and more friendly contacts of all sorts with Westerners means a progressive and perhaps fundamental change in Soviet methods of government. It will become even harder to restrict the freedom of thought and expression of Soviet citizens exposed to Western ideas. Some U. S. experts believe that Khrushchev is aware of this and welcomes it—on the ground that rapid economic growth in the U. S. S. R. can only be assured by such changes.

There's one other aspect of personal diplomacy that has become clear. The future course of East-West relations, the chances of war or peace, now depends more than ever upon the ability of two aging, overworked men to explore fully the chances for peace over the next 12 months or so.

# Clamp on Credit Begins to Pinch

● Small, new, and financially weak companies are hurting, have to tighten up on inventories, collections.

● But most big industrial corporations, flush with cash and able to finance most of needs without outside borrowing, are feeling no pain.

● A steel settlement with a vigorous business rebound could change this, make companies dig into cash and short-term holdings, bring them up against tight money squeeze.

The squeeze on credit is beginning to cause some pain.

Small, new, or financially weak companies, which do not enjoy the freedom of choice in borrowing that a large corporation enjoys, are hurting. The credit squeeze is forcing them to tighten up, keep a closer eye on their cash, cut inventories in some cases, collect bills from their customers faster.

A West Coast executive describes how the pincers are closing in: "We're imposing much tighter control on our bank balances. We're checking them daily instead of weekly, shifting money, from one bank to another, and cutting down on marginal areas—all because of the higher interest rates."

More say they'll be hurt after they exhaust their bank credit. For then they'll find it too expensive to borrow from other sources—by selling stock or debt obligations or by going to a factor, who purchases the accounts receivable of his customer and assumes responsibility for all collections. Major factoring companies, in fact, jumped their rates this week to a record 7.8 from 7.2%.

Most of the nation's big industrial corporations, however, still are shrugging off credit restraint. They take a more nonchalant attitude because they are flush with cash, and are generating enough funds internally through retained earnings and depreciation to finance most of their needs without borrowing. When they do borrow, the current level of interest rates doesn't scare most of them—though a few say they've put off long-term borrowing until interest rates are more favorable.

That is the picture that emerges from a nationwide survey by BUSINESS WEEK reporters this week. Everywhere, it's the same story: the big companies report their cash position is highly liquid, the best ever in some cases; two-thirds of them say they won't be looking for big loans anytime in the near future. Those who think their cash position isn't all it might be feel, as one agricul-

tural equipment maker said "that this is only natural in the face of the dramatic rise in sales this year." Many small companies, however, who rely on bank credit as their lifeline, feel their cash position isn't too liquid. They feel further loan rationing by banks will crimp them badly.

• **Ahead of the Game**—A good number of corporations admit that their current stand-pat attitude on borrowing is the result of anticipatory borrowings this summer. They went out to get funds early chiefly because they feared higher interest rates and a dwindling supply of funds. "A company has to borrow if it wants to grow," says a Chicago company. "But the trick we've pulled off so far is borrowing when interest rates are low."

Along with the seasonal rise in demand, this partly explains the rising level of business loans last summer in the face of the steel strike. But it also casts some doubt on how long business loans will keep climbing, once seasonal demands and the first flush of restocking after a steel settlement are over.

• **Finance Company Squeeze**—One group already showing signs of a slowdown in loans is the finance companies. The big finance companies are considered among the banks' best customers, and they are having no trouble getting credit—at a price. But some of the smaller ones have drawn on their lines almost to the full extent possible. These are having trouble getting funds.

They also are paying higher and higher rates for what they do get. This is cutting down on their profits, since their lending rates in many cases are at the ceiling.

This squeeze on finance companies may not mean a real pinch on consumers. That's because the banks, themselves, are aggressively wooing consumers, and in the last few months have taken a large share of the increase in installment credit. This bank policy increases the squeeze on finance companies, however. For in providing this

credit to consumers, the banks may further reduce the loans they're willing to make to the finance companies.

## I. Turnaround Ahead

The current highly liquid state of most big industrial corporations is not surprising. For one thing, corporations piled up cash in record amounts during late 1958 and early 1959 in the early stages of the recovery. As sales increased and inventories rose, corporations had to bite into these cash holdings—but not much. In the second quarter of this year, corporations added \$3-billion to their working capital.

Now, many companies report the steel strike has given liquidity an additional boost: They have been selling from their shelves without being able to restock. This makes them feel rosier about their cash position than they may have a right to be. Once the strike is over, restocking will begin, and their cash or near-cash may be quickly used up.

• **Question Is When**—At that time, corporations may begin to sell their heavy load of short-term government obligations, since they would rather sell short-term governments to get cash than borrow. Just when the turnaround will come is the key question.

So far this year, corporations have been eager buyers of short-term governments—which has been no end of help to the Treasury, since it means the Treasury could sell debt to non-bank institutions, a non-inflationary practice. Corporate holdings of U. S. government securities on June 30 were up to \$20-billion from less than \$14-billion a year earlier. Many companies have added to their holdings since then, taking advantage of higher interest rates by putting surplus cash into Treasury bills or short-term obligations.

Most companies report they won't reduce their short-term holdings this year in order to finance new projects. More than 80% of those holding governments say they will hold on to them. But they also say they won't be adding significantly to their holdings once the steel strike is over and business returns to normal. "We'll have to cut into our holdings if sales pick up," a New York electronics company admits.

• **Perhaps Close**—This seems to indicate that a turnaround in the trend of corporate purchases of government securities may be close at hand. For if business rebounds vigorously from the strike, as most businessmen expect, corporate treasurers will naturally reverse their stand, despite what they say now, and cut into their cash or near-cash

holdings in order to finance increasing sales.

If that happens, tight money could have immediate effects. So long as corporations have funds of their own, they remain somewhat immune to Federal Reserve monetary policy. But when corporations have to go to the banks for funds, Fed restrictions on bank lending power can squeeze companies hard.

## II. Unworried, But Griping

As of now, though, most corporations don't look on the current level of interest rates as a menace to short-term borrowing. "I'd say it was having only a marginal effect," explains one Tulsa businessman. "We have been considering expansion plans for automation. It looks good at 4% but it's marginal at 6%."

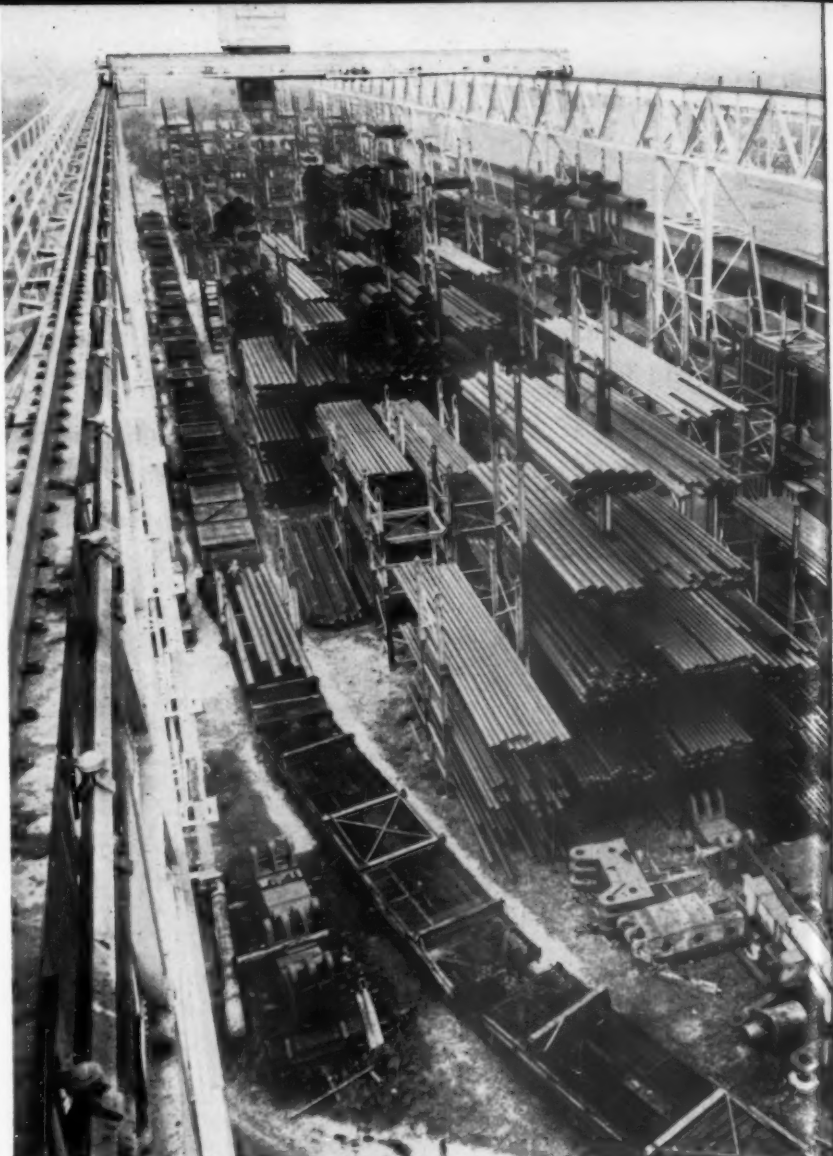
The prime rate—what banks charge their best customers—now is 5%. Most banks, however, demand that corporations maintain deposits equal to 20% of their loans; this actually means that corporations are faced with a rate over 6.5% for the money they intend to borrow.

But even a hike of 1% or so won't deter borrowing plans by the big companies. "If the difference of a half percent or less in interest rates affects your borrowing plans, then you are borrowing on an awfully thin margin," says the treasurer of a big parts maker. He adds that his own company revises borrowing plans on the basis of its forecasts, not interest rates. Most big corporations say that money is available, that they can get all they want.

• **Complaints**—A few companies, though, admit that higher interest rates are causing them to switch tactics. A typical Southern textile firm says it won't borrow so much this season because of the high rate it would have to pay. Some companies say local banks are all loaned up except for steady customers, so they're looking elsewhere for credit.

About a fourth of the companies complain about an increased demand by banks for compensating balances. Many banks are no more rigid in their demands than a year ago, but one Midwest manufacturer gripes that a New York bank "was almost adamant to me." He adds: "The pressure is rather stiff." California businessmen talk in terms of "not yet" when questioned about higher balances, hinting that they expect such a move soon.

• **Long-Term Plans**—Long-term borrowing plans still haven't been affected by credit restraint. Most corporations feel they will borrow when they have to, and that, thus far, money isn't tight enough or expensive enough to dampen their plans.



ELEVEN weeks ago, A. O. Smith's pipe mill seemed well-hedged against a strike, but . . .

# Steel Stalemate Stirs

The President is making a last-ditch effort to settle the strike. It's already too late to save many users from shutdown.

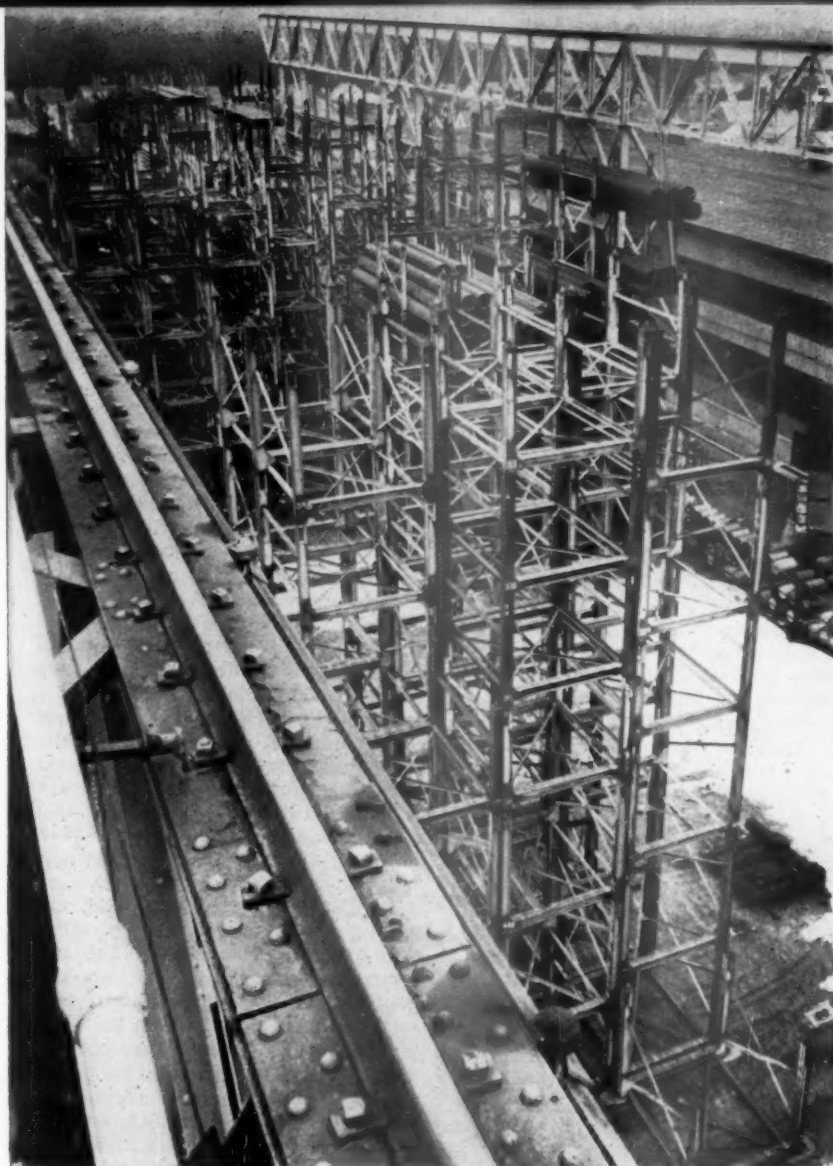
Chances of a steel strike settlement are beginning to look bright for the first time since the United Steelworkers walked out and the mills shut down 11 weeks ago. It's White House intervention that, at midweek, makes the outlook for peace seem so much better.

Early in the week, Pres. Eisenhower said he was "sick and tired" of the steel stalemate. He called USW Pres. David McDonald and U. S. Steel Corp. Chmn. Roger Blough to meet him, separately, on Wednesday.

Soon after leaving the White House

McDonald and USW attorney Arthur Goldberg met Blough and other steel industry leaders and had two hours of "frank and constructive exploration of viewpoints." Both sides agreed to have their four-man bargaining committees resume negotiations in Pittsburgh on Thursday morning in an attempt to reach a settlement.

The midweek meeting, Eisenhower made clear, was a last-ditch effort to settle the strike. He gave both sides a deadline, saying: "I sincerely hope that an agreement can be initiated before my return to Washington next week."



NOW, dwindling inventories mean curtailed production, more layoffs, shutdowns.

## White House to Action

If there's no action around the bargaining table it's expected that Eisenhower will tell Atty. Gen. William Rogers to seek a Taft-Hartley injunction and thus reopen the mills.

• **Too Late**—But for hundreds of companies around the country, time—and their steel inventories—have already run out. They have cut back production, reduced shifts, shortened their work week. Almost each day from now on, hundreds more workers will be laid off. This will be only part of the steel strike's toll.

For hundreds more companies that still have steel enough for several more weeks' production, shutdowns later in the year cannot now be avoided. These businessmen have found that no mat-

ter whether the steel mills reopen tomorrow their inventories are now so depleted or so out of balance and their supply lines from the mill so empty that they'll have to close down for from three to six weeks until the mills deliver their orders. From now on, every day the mills remain closed means another day of idleness later in the year for these companies.

A fast-increasing number of other companies that gambled on a long strike and still have plenty of steel left are also cutting operations. These businesses, most of them component manufacturers for larger companies, can't sell their products because their customers have run out of steel.

On those three fronts the steel strike

is pushing down on the economy, cutting production, and piling up trouble for business in the winter.

### I. Peace or a Truce

Late last week it seemed that any hope for a steel settlement was futile. Last Friday, USW's McDonald stalked out of the steel bargaining room in the Hotel Roosevelt in New York City. The talks with the four-man bargaining team from the 12 major steel companies had become, he said, a "farical filibuster." The union canceled the joint lease on the hotel room and even the green baize bargaining table was moved away.

After that, a Taft-Hartley injunction to reopen the mills seemed inevitable.

• **Administration Aim**—But since early this week, it has become apparent that the Administration wants peace in the steel industry, not a truce imposed by a Taft-Hartley injunction.

The chief reason for holding back the injunction was given by Labor Secy. James Mitchell last week (BW—Sep. 26'59, p34). He put it bluntly to AFL-CIO delegates in San Francisco: "The injunction will merely stop bargaining for 80 days. Very likely no agreement would be reached and the strike would be resumed with no further redress as far as the government is concerned."

Then there are less concrete reasons for delaying Taft-Hartley. The Administration does not like the idea of a resumed USW walkout when the 80-day period ends. This would close the steel mills again in the New Year—a Presidential election year and a crucial time for the economy.

So Eisenhower has said his purpose in calling the midweek meetings with Blough and McDonald is to urge both sides to resume free collective bargaining.

• **Taft-Hartley Trap**—More and more, steel industry executives are swinging around to the view that use of Taft-Hartley would stir up more ill will and leave behind more problems than it would be worth.

The reason lies partly in the mechanics of the act, partly in the solid front that the USW has maintained for 11 weeks.

Eisenhower's first step in putting Taft-Hartley to work would be to appoint a board of inquiry whose job it would be to report back to him on the state of the negotiations. The board would have a fixed period to do this. If there were no progress to report, Eisenhower would have the Attorney General seek a Taft-Hartley injunction. A court order would follow and the mills would reopen.

Sixty days later, the board must report again to the President. If there were no settlement, the National Labor

Relations Board, in the next 15 days, would conduct a secret ballot of the steelworkers on the employers' last offer. If they rejected the offer, they would be free to resume their walkout five days later.

• **USW Front**—The industry is becoming increasingly uncertain of its chances of getting either an early settlement or a favorable vote if Taft-Hartley is invoked. Says one company official: "There was some wishful thinking at the beginning that USW members would vote favorably on a last offer at the end of 60 days. But today, we know we'd lose that vote if work practices are on the ballot."

Management wants to be able to eliminate what it calls wasteful work practices and archaic work rules. The present contract prevents this. The USW says that to adopt management's proposals "would take the guts out of the contract."

• **Basis for Peace**—Inside both industry and union, some officials believe there is a basis for a settlement. Whether it will be used depends on the strength of Administration pressure on Blough and McDonald.

Peace can come, these officials say, if the industry offers a modest wage increase this year. (The present offer is for a modest increase next year.) Negotiations in other industries, they point out, are winding up with some gains for employees (page 125). In return, the union would have to agree to stiffer penalties for wildcat strikers.

And with that much settled, both sides might then agree to sign a contract that allowed them to study jointly the mill work rules and clear up this part of the fight during the life of the new contract.

## II. Starvation Rations

For thousands of businessmen, these shifts of position and negotiation pressures bring little comfort. Their problems are immediate.

The biggest businessman of them all is General Motors' Pres. John F. Gordon. He says that GM will turn out about 475,000 of its 1960 models before its assembly plants are forced to close for lack of steel. Most Chevrolet assembly plants will close by Oct. 20. The three plants making Corvairs—Willow Run, Kansas City, and Oakland—will run until about Nov. 1.

Already, layoffs and short work weeks have begun in plants that produce parts some three to four weeks ahead of final car assembly. At midweek, Delco Appliance Div. laid off 2,000 of its 3,000 workers. In two weeks the remaining 1,000 will be furloughed. Says Delco's general manager, P. H. Rutherford: "We've run completely out of steel."

Harrison Radiator Div. laid off 1,000

men—20% of its work force—this week. AC Spark Plug Div. dropped 90 of its 300 workers. And Ternstedt Div. (auto hardware makers) laid off 2,000 of 18,000 men.

Steel supplies in most GM divisions are beginning to dry up about the same time, but if there's one area more responsible than any other for GM's production curtailments it's Fisher Body Div.'s shortage of steel for stamping. This week, GM officials met with United Auto Workers' leaders to discuss forthcoming layoffs.

Other auto makers are not so severely pinched. Ford Motor Co. says it can go full steam until Nov. 15. Its own steel mills supply 50% of its needs. But eventually, Ford admits, shortages of some specialty steels that it can't make will force it to cut production or shut down assembly lines.

Chrysler thought its steel supplies were in good shape—until it discovered this week that it was running low on cushion wire steel. It's still low on this product, still trying to find sources for it.

American Motors says it can operate until late November or early December with its supplies.

• **Empty Pipelines**—It's certain now that GM cannot avoid closing its assembly plants after mid-October, even if there's a steel strike settlement in a day or two. The supply lines from stockpiles and warehouses to GM plants are now so bare that it will take some three or four weeks from the time the mills reopen to get new steel moving on schedule to all GM plants.

Much the same lead-time from mill to plants faces Caterpillar Tractor Co., which at the end of this week laid off 11,500 employees—25% of its work force—in three of its major plants.

A. O. Smith Corp. in Milwaukee has already laid off 1,400 workers and is planning more with the gradual shutdown of its plants turning out auto frames. Both its own shortage of steel and the auto makers' impending shutdowns are forcing this. "But the worst time," says an A. O. Smith official, "is going to come in the 30 days after the steel mills reopen. It will take us three to four weeks to replenish our inventories and through that period there'll be more shutdown."

• **Chaos to Come**—Hundreds of companies are becoming aware now of the threat posed by this emptying of the pipelines, BUSINESS WEEK reporters found this week in a survey in the nation's industrial centers. Many businessmen who accepted the steel strike calmly two weeks ago, saying they had inventories enough for another month or more of production, have realized that though they can keep their plants open right now, time has run out for them. They're saying now that every day the strike continues means that they'll have

to cut production by a day or more later.

Anthony Ruediger, head of the National Assn. of Purchasing Agents' steel committee says: "The situation is critical. There's little or nothing left to go into the pipelines. If the strike ends this week, steel ordered from the mills in July will be delivered late in October; steel ordered in September won't be delivered until some time in December. Fourth-quarter orders don't mean a thing. They won't be delivered until next year."

Inventories in steel warehouses throughout the nation last week totaled 2.1-million tons, the American Steel Warehouse Assn. reported. But this supply is unbalanced; it contains many steel products that aren't in demand and some that can't be converted even by the most desperate steel users.

Many companies are finding that their own inventories, which looked good a few weeks ago, also contain old steel that's badly rusted and some products that are brittle with age.

And so in Portland, Ore., for example—and in dozens of other industrial centers—businessmen are realizing that their companies will be in a tight squeeze and there will probably be half-speed production and complete shutdowns within a month, even if the steel mills reopen next week.

In Pittsburgh, steel companies are getting word from their salesmen in most parts of the country: "The customers are getting panicky. There are grey market prices everywhere; even some big users are paying up to 100% premium to get the steel they need."

• **Indirectly Hit**—Probably the most frustrated among businessmen hit by the steel strike are those whose companies still have plenty of steel, but whose customers aren't buying because they have run out of steel.

American Bosch Arma Corp., for example, began laying off 100 workers a week at its Springfield (Mass.) plant this week. It has plenty of steel there, but one of its large customers no longer wants the diesel fuel injection systems and hydraulic equipment that Bosch makes. This customer also has plenty of steel, but another of his suppliers has run out, and so he cannot put together the machinery he makes.

Lincoln Electric Co., in Cleveland, complains: "The market is drying up. We have steel enough. But our customers don't have it. And so they don't want our electric motors."

More and more cases like these are piling up, spreading the economic impact of the strike.

The impact is even reaching people who have bigger quantities of steel than ever before. In Milwaukee, one steel scrap dealer has 27,000 tons of scrap in his yard and his major outlets—the big steel mills—can't take it, of course. So

he is wailing that he has plenty of steel, but with almost \$1-million tied up in the scrap he already has, he's running out of money.

### III. Filling the Pipelines

There is no way to tell precisely how long it will take to refill the supply lines from steel mills to customers once the mills do reopen. It depends on a dozen different factors—the types of steel that are in most demand, the schedule of orders on the mills' books, the speed of the railroads in getting their steel freight operations back to work, the care of the mills themselves in the ticklish operation of getting their furnaces back to working heat.

The most optimistic of the steel companies is Bethlehem. It says its production will be back to normal two weeks after it reopens. Inland Steel is telling its customers that it will need at least three weeks to reach 80% of capacity. Republic says its customers shouldn't expect delivery for three to four weeks after reopening. U.S. Steel is making no promises.

- **Early Shipments**—Some steel will flow to the pipelines immediately. This will come from the companies' own stockpiles of products finished before the strike but not shipped to customers. But there's not much of this available.

There'll also be steel ready for the finishing processes. There's more in this state than in the stockpiles. But this probably will not go into the rolling mills until new steel is coming from blast furnaces and open hearths. The rolling mills, once started, should run continuously. Little of what's produced in the first week after reopening will be finished steel.

- **Delicate Stage**—Finally, there'll be the new metal coming from the furnaces. To get this is the most delicate operation in reopening a steel mill. Any failure to seal furnaces tightly before the strike means that iron production will be hampered when the furnaces start working again. For perhaps two days, the iron that comes from the furnaces will be low grade—high in silicon or sulphur. It may take four to five days to get a mill's iron chemistry back to the point where the furnaces' product is suitable for routine steel-making.

Even then the delicate furnace operation isn't over. For the moment pressure for more production is put on a furnace that has been closed for more than 11 weeks, further breakdowns are likely to occur.

This week, the steelmakers around Chicago have one warning to add—a gloomy one. This shutdown, they say, will be more damaging to furnaces than any previous strike, because this summer's damp weather has caused extra damage to idle furnaces.



HARRY JASPER, sharp British merger and real estate operator, teamed up with . . .



FRIEDRICH GRUNWALD, 34-year-old lawyer, in spectacular deals. Last week . . .

## Their Empire Fell in Ruins

When they ran out of cash to back their latest takeover scheme, the London Exchange suspended trading in 16 of their companies, and Grunwald fled to Israel.

In the last five years or so, Harry Oscar Jasper, one-time foreign exchange trader and artist in arranging corporate mergers, and Dr. Friedrich Grunwald, lawyer and director of more companies than can readily be counted, have built themselves a cozy financial empire in Great Britain.

Last week the empire fell apart (BW—Sep. 26 '59, p155). The two financiers admitted they had run out of money to back up their latest bid to take over two companies, Ely Breweries and Lintang Investments—the latter owner of Europe's largest apartment "block." Each of these companies is bigger than anything they had acquired previously. After a \$20-million drop in share prices, the London Stock Exchange suspended trading in shares of 16 of Jasper's myriad companies. This action produced ever-widening repercussions:

- The opposition Labor Party seized on the affair as a major campaign issue in next week's national election.

- The scandal put a damper on the rising wave of speculative mergers in Britain (BW—Sep. 5 '59, p66) and on some of the speculative excesses in the City, London's financial district. A parallel was quickly drawn between the Jasper affair and the great Hatry scandal which shook the London market to its foundations in 1929. In that case, when Clarence C. Hatry and several associates were convicted of forging stock certificates, it brought about the failure of companies worth over \$67-million.

- It prompted demands by both Labor and the Conservatives for a major reform of legislation covering building societies—analogue to U.S. savings and loan associations—which helped finance Jasper, and for tighter controls over English corporations generally.

- **Merger Climate**—The scandal—the dimensions of which are still hazy—has grown out of the prosperity that the English have been enjoying in the last year or two.

In this personal and corporate prosperity, stock prices have soared, and there has been a great surplus of cash to invest—and to speculate—in companies ripe for takeover bids that would enhance their value.

- **Real Estate Angle**—Through most of this activity H. Jasper & Co. remained quietly in the background. For the most part, it was content with knocking off small companies overlooked by the big game enthusiasts who were making the headlines. Jasper concentrated on real estate, particularly companies owning older, relatively run-down properties.

His reasoning was that there was a lot of money to be made in real estate as three types of controls were loosened: (1) rent control, which kept the value of residential properties down to less than half what they are worth when controls are taken off; (2) the credit squeeze, which stopped bank loans for property deals and banned borrowing of sums over \$28,000 for this purpose; (3)

the strict tradition under which building societies advanced money only as first mortgages on small properties, with not more than \$14,000 to a customer.

- **Financing**—Jasper, Grunwald, and their associates bid for properties that were scheduled for decontrol. To hold the properties, they formed literally hundreds of companies. Each of these would borrow the legal maximum that could be obtained from savings societies. For a good part of the cash, Grunwald and Jasper relied on their good connections with the State Building Society, a commercial group for which Grunwald was legal counsel.

State Building—which does not and, according to the London Economist, “would never” belong to the Building Societies Assn., the trade association—has prospered by paying 5% for savings at a time when most building societies have been paying 3½%. Of the \$29-million in assets that it reported last Dec. 31, it now has \$10.9-million lent to the Jasper companies on mortgages and another \$9-million lent, apparently unsecured, to Harewood & Co., Grunwald’s law firm.

- **Hue and Cry**—Disclosures of these loans, and the fact that such a large proportion of State’s assets depend on the credit of one borrower, have led to the greatest outcry. Quite understandably, depositors and investors in State have been trying to get their money out; so far they have been blocked.

It hasn’t yet been established that money from State has been diverted to any improper purposes. Both Jasper in London, and Grunwald in Israel—where he fled in what he describes as “a panic reaction and desire to hide and avoid people”—say that it has not. English authorities, meanwhile, are doing their own investigating. The London Fraud Squad, the Queen’s Counsel (equivalent of district attorney), British Board of Trade, the Registrar of Friendly Societies, and several public accounting firms, are all trying to unravel the tangled finances and criss-cross stock ownership between Jasper’s companies.

- **Political Issue**—The Labor Party, as might be expected, has jumped on Jasper as a made-to-order campaign issue. Labor spokesmen denounce companies that have been built through mergers as “rag-bag” organizations, and demand that the small investor be protected from men like Jasper.

To remedy the situation, both Labor and the Conservatives are calling for a revision of the basic Companies Act that would have the effect of sharply limiting corporate freedom of action. Moreover, a general tightening of the building societies law—which hasn’t had a major revision since it was passed in 1874—seems to be inevitable.

# World Bankers Agree

**Delegates to meeting of International Fund and Bank concede that rest of the free world must encourage U. S. exports and give more help to underdeveloped countries through a proposed new loan agency.**

The free world’s monetary and fiscal position got a fresh assessment this week. In Washington, finance ministers and central bankers gathered for the annual meetings of the World Bank and International Monetary Fund.

The consensus: The free world, as a whole, is in a much stronger position than a year ago, when the U.S. was recovering from the 1957-58 recession and most countries in Western Europe were in an economic pause. In this year, many industrial countries have strengthened their finances and their trading relations. But the strongest power of all—the U.S.—and most of the underdeveloped nations are considered to have lost ground. This paradox emerged both in the public sessions and in the private conferences that are a feature of the week-long sessions.

- **Calls for IDA**—Treasury Secy. Robert B. Anderson warned the delegates that the countries of Western Europe must encourage U.S. exports by wiping out the restrictions and controls that still

apply to imports of dollar goods. He indicated that failures to act might bring about U.S. moves to protect itself against a continuing deficit in its balance of payments.

Anderson also chided Western Europe for not doing enough to aid the underdeveloped countries of Asia, Africa, and South America, which are losing gold, too. He proposed the formation of an International Development Assn., with a fund of \$1-billion for loans to “soft-currency” countries that are suffering from balance-of-payments difficulties. The U.S., he said, is prepared to put in more than \$300-million to get IDA started, but it is counting on the countries of Western Europe to make sizable contributions.

- **Dollar Weakens**—This year’s meeting is clearly a formal turning point in the financial position of the free world. The U.S. remains the dominant financial power, and the dollar is still the standard world currency. But it is clear that the countries of Europe are in a posi-



ANTOINE PINAY, French finance minister, was among the first to support Treasury Secy. Anderson’s development fund proposal.



LUDWIG ERHARD, German economics minister, joined the other big powers in promising to take their share of load.

# To Lean Less on U.S.

tion to assume some of the burdens of assisting the underdeveloped countries.

The fact that the U. S. is frankly admitting to a balance-of-payments problem and is calling on its major allies to help is not a confession of bankruptcy. Most foreign delegates expressed belief that the weakness of the dollar is relative and temporary. There was none of the scare talk about a run on the U. S. gold stock or about possible devaluation of the dollar that had been widespread in foreign financial centers earlier.

On the contrary, foreign central bankers expressed confidence that the U. S. would be able to defend the dollar. They felt that the combination of a balanced budget and tight money would succeed in preventing inflation while sustaining a high level of economic activity.

• **Support for IDA**—There was also agreement that the U. S. could not be expected to carry the entire burden of providing assistance to underdeveloped areas. The major European powers—Great Britain, Germany, France—as well as Japan, promised to support IDA. With the rise in their currency reserves and in their share of world trade, they are in a position to provide funds to areas that are lagging.

Support for IDA, however, is luke-

warm. Delegates from underdeveloped countries, which are expected to be beneficiaries of loans, are critical of the smallness of the fund. Delegates of many European countries, which will be making contributions to the fund, are worried that IDA will encourage a "double standard" of lending that may even impede the movement toward freely convertible currencies.

• **Bargain Basement?**—European delegates who express reservations about IDA point out they have strengthened their trading positions by orthodox fiscal and monetary measures. The World Bank, they say, insisted on such measures before it would make any loans. Now, they fear, IDA will be a "bargain basement" of the bank, not only making loans to soft-currency countries but also using "soft-lending" practices.

World Bank officials deny that their loan criteria in granting loans will change. They will concentrate on making loans to countries that are working toward a solution of balance-of-payments problems. The emphasis will be on projects that can be warranted on their own merits, and that will help to strengthen a country's financial position.

No details of IDA have been worked out. But bank officials insist that the small size of the fund will mean that

they can pick and choose among projects. According to them, a fund of \$1-billion means that no more than \$150-million to \$170-million will be lent in any one year.

Admittedly, this is small potatoes. But U. S. Treasury officials are hopeful that it will stimulate other investments by the countries of Europe.

• **Sharing the Load**—If Europe does begin to take on the burden that the U. S. has been shouldering alone, it may serve to reduce our over-all foreign aid program. But most underdeveloped countries are afraid that the U. S. intends IDA as a substitute, rather than as a supplement to its present aid programs. They feel that they need a great deal more aid than they are getting from the U. S.

• **Setbacks Abroad**—Most countries in Asia and South America have suffered trading setbacks in the past year. Because Europe has progressed so fast, the gap between them has widened. Thus, they feel that IDA will not make much difference to their position; what they are after is a big new aid program that would call for much greater U. S. contributions.

The major western countries are also taking seriously Anderson's warning that they should end restrictions on dollar imports. They say they are making progress in lowering the barriers, but few of them are prepared to make sweeping concessions.



**SIR ROGER MAKINS**, one of Britain's joint secretaries of the Treasury, next year will head Atomic Energy Authority.

**CHAIRMAN** of meeting was Fernando Berckemeyer, Peru's Ambassador to U. S. shown at left with Secy. Anderson.

# Antitrusters Show Their Claws

● Justice Dept. pressure on Texaco and Superior Oil to scuttle their merger has wide meaning for business.

● It's clear that the Antitrust Div. fully intends to block mergers and acquisitions that might lessen competition—in oil and other industries.

● The test is not so much size as share of the market.

The oil industry has been put on notice that federal antitrusters mean business about blocking any mergers that might make the industry more concentrated.

Essentially, that's the meaning behind last week's announcement that Texaco, Inc., and Superior Oil Co. had dropped their plans to wed (BW—Jun. 27'59,p27). They abandoned preparations after the Justice Dept. notified them a formal suit had been readied and arrangements begun to seek a quick trial to stop the merger.

Officials at Justice regard this victory as the biggest for Sec. 7 of the Clayton Act since last year's history-making court decision that Bethlehem Steel Corp. could not merge with Youngstown Sheet & Tube Co (BW—Nov.29 '58,p25). The Clayton Act, as amended by Congress in 1950, bars a merger or acquisition if the effect may be "substantially to lessen competition, or tend to create a monopoly." Justice's present attitude toward the provision is summed up in this comment by Robert A. Bicks, acting chief of the Antitrust Div.: "We have a unique chance to apply Sec. 7 in the oil industry today so that in 25 years we do not have an industry like steel or aluminum."

By implication, companies in other industries might well also be wary of Sec. 7 action if they seek to merge.

• **Ideal Match**—When the Texaco-Superior merger was proposed, it looked like an ideal match. Superior is one of the largest independent crude oil producers, and Texaco is an integrated company that needs more crude for its refineries. Superior also has reserves in the Western Hemisphere that would help relieve Texaco's dependence on oil from the Middle East and Indonesia. At the same time, Superior would gain an assured outlet for its crude. Of the two, Texaco is vastly the bigger, with a 1958 gross of nearly \$2.5-billion compared to Superior's \$109-million. Texaco planned to swap 24 shares of its stock for each share of Superior's.

Both companies knew the Justice Dept. was investigating their proposal, but the decision to prosecute apparently

came as a surprise. Texaco had already filed a registration statement with the Securities & Exchange Commission for more than 5-million shares of stock to be issued to six members of the Keck family, Superior's largest holders. And the plan was scuttled only one day before Superior stockholders were to vote on it.

In a joint statement, the two companies asserted confidence that the courts would have upheld them had they decided to fight. However, they said, several years of litigation and uncertainty would have had a "disruptive effect" on both organizations.

• **Repercussions**—Many observers feel collapse of the merger will hurt Superior more than Texaco. The reason for this attitude is that with oversupply the oil industry's present problem, Texaco can probably do without Superior's crude more easily than Superior can get along without Texaco's guaranteed market. The stock market apparently buys this view: In the three trading days following the announcement, Superior's shares declined 13% from the pre-announcement price, Texaco's dipped slightly and then bounced back up again.

Superior says it has three- to five-year contracts to sell something more than half its current crude output. However, since oil import quotas are based on refining capacity and Superior has no refineries, it is not entitled to import from its Venezuelan holdings—which have produced up to 70,000 bbl. a day. As a result, Pres. Howard B. Keck revealed last week that Superior will stop drilling in Venezuela until it disposes of the surplus there.

Keck says Superior has no plans, even at long range, to go into refining or marketing itself—or to shop for another merger. "We have no idea of trying the thing again, with Texaco or anybody else," he declares. The company expects its increasing sales of natural gas to offset lower earnings from crude oil.

• **Market Analysis**—In the trade, there has been criticism that Superior's marriage to Texaco was blocked by the Justice Dept. simply on the theory that "bigness is badness." Harold Morton,

Superior's general counsel, argues that the deal would have upped Texaco's share of U.S. oil production only from 7% to 7½%.

Bicks, the Antitrust Div.'s acting chief, retorts that the emphasis was on the relative importance of each company in the markets and the effects of a merger on competition. The government made a product-by-product, state-by-state analysis of the two companies' sales to the same customers—much the same kind of evidence used in the Bethlehem-Youngstown case. The conclusion was that Superior and Texaco were in "direct and substantial" competition in seven states for sales of crude oil, natural gas, natural gasoline, and liquefied petroleum gas.

• **Favorite Tool**—The broad philosophy behind Bicks' action in the Texaco-Superior case is his conviction, expressed over and over again recently, that Sec. 7, the antimerger provision of the Clayton Act, is "the most effective instrument of antitrust policy." Only last week he told the Congressional Joint Economic Committee that "vigorous enforcement of Sec. 7, particularly in those sectors of our economy with the greatest growth potential . . . can shape their ultimate competitive structures to avoid . . . excessive concentration." He has made no secret of his feeling that the Antitrust Div. should devote more time to mergers, less to such run-of-the-mill matters as price fixing.

This stand does not necessarily mean all mergers are illegal. The Justice Dept. has approved mergers that will strengthen small companies in competition with a few large companies. One case in point is right in the oil industry—the acquisition by Signal Oil & Gas Co., a West Coast integrated company, of Eastern States Petroleum & Chemical Corp., a refiner-marketer in the East. The government decided to let this deal go ahead, on the ground that the two companies complement, rather than compete with, each other. It makes Signal about the 23rd largest integrated concern in the U.S.—and presumably better able to vie with the 22 bigger outfits.

Even though Bicks spoke of Justice's "unique chance" to use Sec. 7 against the oil industry, a rash of oil merger suits isn't likely. In the first place, the Superior case will probably cool the ardor of other companies to merge. Second, the antitrusters choose cases to prosecute very carefully anyway, because Sec. 7 has been interpreted in the courts only once before—in the Bethlehem case.



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# Drugs on Griddle

**Kefauver probes, armed with data, to open fire on prices and practices of pharmaceutical industry.**

The drug industry is in for more trouble from the government.

For several years, politicians and anti-trusters have been whacking at individual companies, their policies, and their prices. Ten companies are now in court for price fixing—five on Salk vaccine, five on antibiotics.

Now, after six months of digging, the Senate Antimonopoly Sub-committee headed by Sen. Estes Kefauver is all set to put the industry as a whole on the hot seat. The investigators feel that drug operations are a relative mystery, compared to such industries as steel or autos. They also figure that drugs strike much closer to the consumer's emotions. Industry officials agree. A customer is apt to remember the \$5 for 10 pills long after he has forgotten how sick he was before he took the medicine.

- **Swift Growth**—The industry's growth has been phenomenal. Census figures show that manufacturers' sales of pharmaceutical preparations were \$867-million in 1947, \$1.6-billion in 1954, \$2.2-billion in 1957—and are still climbing. In antibiotics alone, according to the Federal Trade Commission, net sales in 1951 reached \$344-million in an industry that didn't exist 10 years earlier. Antibiotics output doubled between 1951 and 1956, but—according to FTC—lower prices for some products and some new markets kept dollar sales below the 1951 peak.

Kefauver staffers note that in the second quarter of 1959, the drug industry as a whole made a profit after taxes of 10.1% of sales, compared to an all-industry average of 5.5%.

- **Dual Hearings**—The committee plans two sets of hearings beginning Nov. 30. The first will concentrate on specific products; the second will be general hearings in which industry representatives and consumer groups will be heard.

As one aspect of administered prices, the committee will investigate possible tie-ups between drug houses and banks, investment house, and mutual funds. They want to know if those with holdings in more than one drug company use their influence to restrict competition.

Drug industry officials say that the financial interests have been scrupulous in avoiding interference in company operations.

- **Likely Questions**—The committee will probe the degree of concentration

in the industry and what relation there may be to price. Likely questions:

- Does the industry's use of patents keep competition down?

- Do companies try to write off the entire research cost with high prices before another company gets into the market, and if so is this justified?

- Does the present method of marketing keep prices up? Companies spend considerable on salesmen who call on doctors to promote their products.

- Why does the same drug from

the same manufacturer frequently sell abroad at prices much lower than at home?

- **Rebuttal**—The drug industry's counterattack is hard to foretell. It will almost certainly assert that its profits are necessary because research costs are high (7% compared to most industries' 1% or 2%) and a product can become obsolete overnight. The industry will also argue that drug prices have risen less than other products. Since 1945, food has gone up 74% and drugs only 37%, according to Harry J. Loynd, president of Parke, Davis & Co.

## Narrow Choice for Big Steel

**If new president is to be operating man, as tradition says, board faces choice between Jenks, only recently elevated, and Jordan, with only 19 months to serve.**

This week, U. S. Steel Corp. had two of the industry's toughest management problems in years:

- Picking the right man among several to replace Pres. Walter F. Munford, who died Sept. 28, less than five months after taking office.

- Settling the 11-week-old steel strike. Chmn. Roger M. Blough, who is U. S. Steel's chief executive officer, is primarily responsible for the industry's bargaining concept and strategy this year.

- **Sticky Problem**—Munford's death broke up a top-management triumvirate which had been expected to keep the Corporation forging ahead through 1965, (BW—May 9 '59, p30). And it posed by Big Steel's directors an unusually sticky problem in picking a replacement. The problem lies not in producing a good enough man. It lies, rather, in picking the right man from several—with just about everybody looking over the board's shoulder and second-guessing.

The obvious place for the directors to look for a new president is among the company's six executive vice-presidents. Actually, that's four candidates, since one of the six executive vice-presidents, John Pugsley, in charge of accounting, is brand-new in his job; and another, M. W. Reed, in charge of international and raw materials, is quite close to retirement.

There's a tradition that, almost always, U. S. Steel's president should be an operating man. If the directors decided to respect that tradition, the available executive vice-president list would narrow to two men, dropping Richard F. Sentner, commercial, and R. Conrad Cooper, personnel services.

That would leave a choice between Harvey B. Jordan, production, and Stephen M. Jenks, engineering and re-

search. Jordan was passed over last spring in favor of his own protege, Munford—but that happened simply because he was then only 14 months short of the corporation's firmly maintained retirement age of 65.

- **Choice**—So this week USS directors faced this choice:

- Pick a man—Jenks—who's eminently qualified as an operating man, but who has been an executive vice-president only since May, when he moved up behind Munford; who has seven years availability, being 58; but who is described as being "less well-known and less outgoing—less people-minded" than U. S. Steel presidents tend to be. Or...

- Pick an equally qualified operating man—Jordan—who has been an executive vice-president since 1953; but who'd be available at most only for 19 months, and would bend the retire-at-65 rule by 10 months to stay that long.

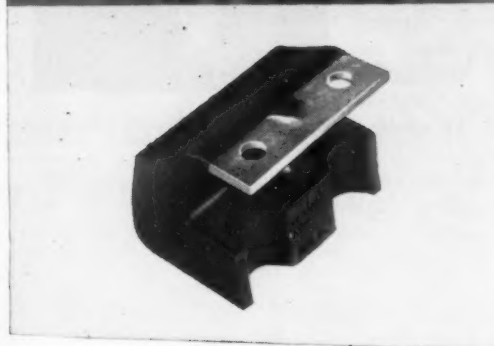
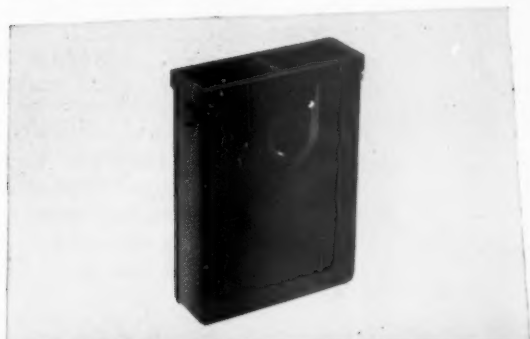
- **Pros and Cons**—In Pittsburgh, the pros and cons were assessed this way:

The only hesitancy anyone might have in picking Jordan arises from the criticism it could invoke outside the Corporation about USS being so thin in top-level management material as to fall back on a man once passed over.

Promoting Jordan, on the other hand, would open a strategic executive vice-presidency and thus provide a 19-month top-level training stint for some promising younger man. Another such job, that now held by Reed, will open up soon. Thus, by May, 1961, there could be three seasoned operating men, all trained as executive vice-presidents.

That's Corporation thinking. Around the financial community, however, there's a feeling that the job doesn't by any means require an operating man, that there are two pretty likely non-operating men available in Sentner and Cooper.

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# In Business

. . .

## New York's First National City Bank Picks James Rockefeller as Chief Officer

The nation's third largest bank, First National City of New York, will have a new chairman and chief executive officer on Nov. 1 when James S. Rockefeller takes over from Howard C. Shepherd, who is retiring.

Rockefeller joined the bank in 1930 and has been president since 1952. He is a second cousin of New York's Gov. Nelson Rockefeller and of David Rockefeller, vice-chairman of the Chase Manhattan Bank. First National City is Chase Manhattan's arch rival for second place in the nation and first in New York.

In other executive changes at First National City, Vice-Chmn. Richard S. Perkins becomes chairman of the executive committee, and George S. Moore succeeds Rockefeller as president.

. . .

## Canada's Rails Reverse U.S. Trend, Lure Passengers With Economy Fares

The two major Canadian railroads are reversing the get-rid-of-the-passengers trend of U.S. roads. Canadian National Rys. and the Canadian Pacific have announced a two-ply plan for boosting off-season passenger traffic. They are offering:

- Group economy fares that can mean savings of around 37% for groups of four or more. The lure is meant largely for short-haul travelers.
  - Economy rates on packages that include transportation, meals, sleeping accommodations, and even tips. The target here is long trips and the transcontinental trains.
- . . .

## Diversifying Budd Co. Buys Lewyt Mfg., Dickers for AMF's Cleveland Welding

The diversification of Budd Co. continued this week when the Philadelphia maker of automotive components bought Lewyt Mfg. Corp., New York producer of electronic data processing, communications, and control equipment.

Purchase of Lewyt, most of whose \$12-million annual sales are to the government, puts Budd much deeper into electronics, though it has done some development work before. Lewyt Mfg. has been renamed Budd Lewyt Electronics, Inc. It was formerly affiliated with the Lewyt companies producing vacuum cleaners and air conditioners.

Budd is also dickering to buy American Machine & Foundry Co.'s Cleveland Welding Div., which makes wheel rims for trucks and tractors.

Corporate dickering: Hiller Aircraft Corp. and Twin Coach Co. are in the early stages of merger discussions. . . . Transamerica Corp., of San Francisco, has offered to buy American Surety Co. of New York.

. . .

## Ford Plans Second Compact Car in Spring; Says Comet Will Be "Aristocrat"

It's official now that the Ford Motor Co.'s M-E-L Div. (Mercury, Edsel, Lincoln) will have its own compact car to sell by next spring. Ford says the "Comet" will be the "aristocrat of the economy cars"—freely translated, that could mean a six-passenger version of the four-seat Thunderbird.

The Comet will have unitized body construction, a 114-in. wheelbase, and a six-cylinder engine, with V-8 optional.

Ford won't talk price for the Comet. You can make a case for figures all the way from below the cheapest Edsel (\$2,400 plus taxes) to above the most expensive four-door Mercury (\$3,500).

Originally, the Comet was supposed to be a compact Edsel. But Edsel sales have picked up, so the company has decided to retain its present size. The Comet, coming out in February or March, seems likely to beat General Motors' projected second and larger compact car to the market by several months.

. . .

## Business Briefs

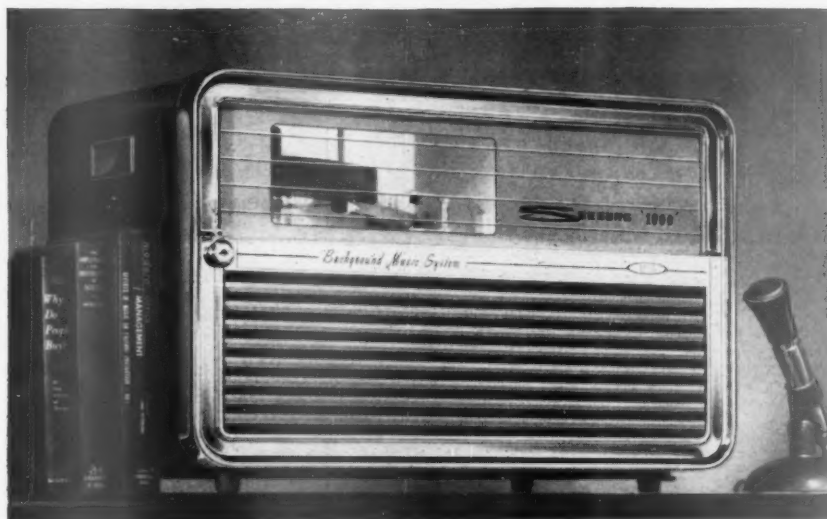
Standard Oil Co. of California this week hinted broadly that it may start work this winter on a 22-mile, \$4-million pipeline to carry crude oil from the Swanson River area in Alaska's Kenai Peninsula to Cook Inlet. Directors of the company, meeting for the first time in Anchorage, were told that building the pipeline hinges on finding commercial quantities of oil in the area, where three wells are now producing 650 bbl. per day.

Shipments of 39.9-billion cigarettes in July set a record for the month, topping the year-before period by 8.4%, the Internal Revenue Service reports. The record for a single month is 40.9-billion, set in October last year.

Two 35,000-ton, 26.5-knot passenger liners will be built by the Italian Line for the New York-Mediterranean trade. The ships will carry 1,600 passengers, and will be faster than any now in service between the U.S. and Italy.

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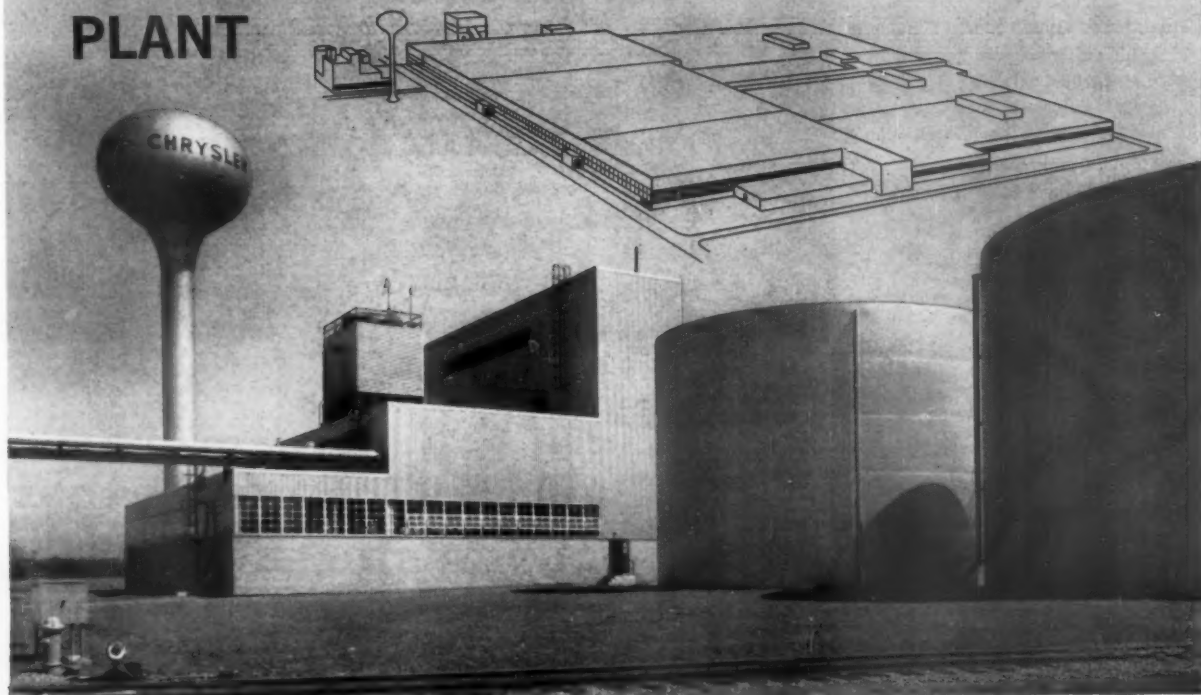
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# WASHINGTON OUTLOOK

WASHINGTON  
BUREAU  
OCT. 3, 1959



**Republican hopes for 1960 take a sharp rise.**

Retention of the Presidency, big gains in the House are forecast. Top GOP strategists don't expect to win control of the Senate, doubt they'll get a majority in the House. But they do figure to raise their House strength—now a puny 153 seats—to “around 200.” It takes 219 to control the House.

GOP National Chmn. Thruston Morton finds amazing enthusiasm among the rank and file as he swings across the country, getting the organization set for next year's campaign. In private reports, Morton sums up: “You'd think we were big winners instead of heavy losers in 1958.”

Democrats are in trouble. They concede little, but Democratic gloom is evident almost everywhere. It lends a valid touch to GOP optimism.

**Republicans have pre-empted the big issues—peace, prosperity.**

Pres. Eisenhower's delay to spring of his Moscow visit is the latest, and possibly the most important, in a series of events that work to the discomfiture of Democrats.

**It guarantees that the peace issue will be strong in 1960.** And the timing is such that the issue will be sharpened up anew for the campaign.

The economic outlook is favorable. Assuming a non-inflationary steel settlement at a reasonably early date, Washington is confident that good times will carry over to 1960. Prosperity should serve the Republicans well as a campaign issue.

**If either issue—peace or prosperity—sours, the GOP will suffer.** Leaders in both parties agree on this. But Democrats acknowledge they cannot count on it, and Republicans don't think it will happen.

Democrats are badly divided, splintering even further. Besides the ancient North-South split, new cracks are appearing. Midwestern Democrats are in a city-vs.-rural row. Gov. Pat Brown of California is creating a new Western bloc to wield regional political power, push sectional demands. Sectionalism saps the central effort in a national political campaign.

**The Democrats' labor support is restive, threatening to pull out.** Big labor won't do that. It has no place else to go. But it will furnish less enthusiasm, be more selective with financial help for Democrats in '60.

The Democratic Congress faces new rebuffs by Eisenhower. Prosperity helps the President to short-circuit Democratic ambitions to start or expand social and welfare programs.

**The White House will keep the inflation issue alive,** despite forecasts by the Administration's own economists that only moderate price rises—between 1 and 1.5 points in the consumer price index—will occur next year. Some economists feel that the public may become bored with inflation talk by 1960. But Eisenhower will do all he can to keep this from happening. His White House advisers tell him any letup in the anti-inflation pressure would invite big new spending programs from Congress.

Treasury Secy. Anderson has just restated the domestic priority. Inflation control still ranks in Administration policy above economic growth just for growth's sake.

**Fears that Russia outstrips us in growth rate—the touchstone of Democratic philosophy in the economic field at present—are under challenge.**

# WASHINGTON OUTLOOK (Continued)

WASHINGTON  
BUREAU  
OCT. 3, 1959

Dr. Colin Clark of the Econometric Institute of New York told a Congressional committee this week that the U. S. growth rate still exceeds Russia's. He says contrary statistics reflect sketchy Russian data put out in the early postwar period, a time of frantic Soviet rebuilding.

**Democrats are bearing down in the search for issues.**

**Note the situation on Capitol Hill.**

A rash of "studies" and investigations—under Democratic direction—will keep things stirring fairly briskly until January. Then Congress comes back to Washington for the climactic political battles with the President.

A rundown on the principal off-season issue hunters shows a heavy liberal tinge—more liberal than Congress as a whole. This tends to minimize chances of substantive legislative accomplishment as a result of their work. But they will give Democrats at least some talking points.

**Sen. Paul H. Douglas of Illinois.** As chairman of the Joint Economic Committee, Douglas keeps up a running attack on Republican economy policy. But the positive, and more difficult, side of his assignment is not yet fulfilled. That is to formulate a plan for federal action to encourage economic growth without runaway inflation.

**Sen. Pat McNamara of Michigan.** He draws up a Democratic blueprint for more federal help to the nation's aged—such things as higher incomes, better medical care, more and better housing.

**Sen. Estes Kefauver of Tennessee.** He investigates alleged price-fixing in the pharmaceutical business (page 36), hopes to prove an interlocking control of the industry by financial institutions.

**Rep. John Blatnik of Minnesota.** He readies an investigation of the multi-billion federal-aid highway program. Blatnik has a flair for the dramatic, would delight in turning up a scandal or two. Much of his staff comes from the defunct Senate Committee on Labor Racketeering.

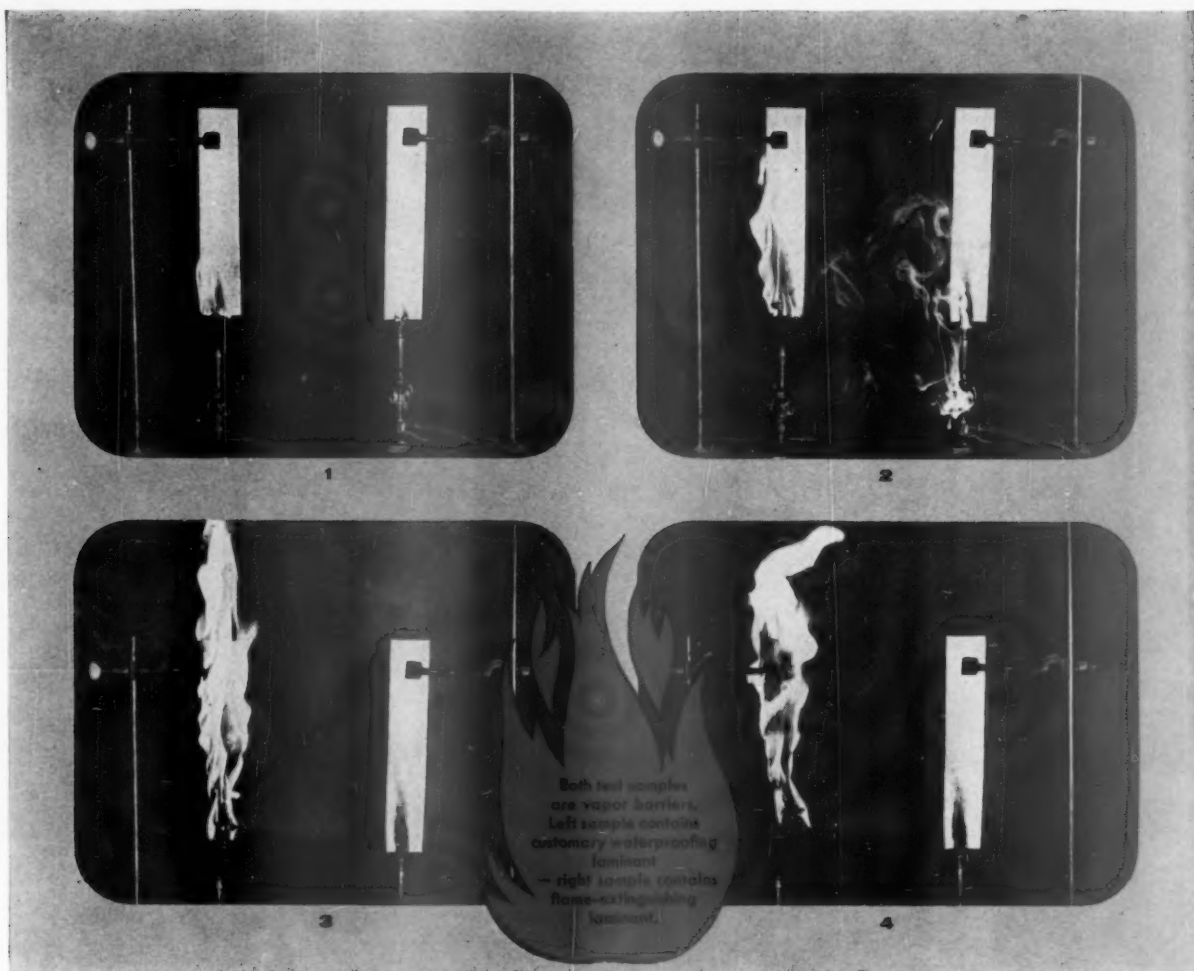
**Rep. Albert Rains of Alabama.** Tentatively, he plans November hearings on the "tight money" pinch that begins to affect housing.

—•—

Publication of the GOP's master plan for the future starts next week with release of the first in a series of five installments. The last, and perhaps most important, will be on "economic opportunity and progress." Prepared under direction of Dr. Gabriel Hauge, one-time Eisenhower economic adviser, it is scheduled for Oct. 13 publication.

Broad policy guidelines for the period from now to 1976 are contained in the series. The guidelines cannot be binding, of course, but if followed they will keep the party in a position that—viewed in today's domestic and international context—amounts to middle of the road. There are a few variations. For example, one report will suggest that the present Administration's travel and immigration restrictions are too severe. Another, without specifically using the phrase, will recommend that the GOP forget about sponsorship of "right to work" laws.

The plan will figure in the 1960 Republican platform. It is not designed specially as a campaign instrument for next year, but Dr. Cornelius Cotter, staff director of the committee that drew up the plan, is being retained on the national GOP staff until past convention time. He will be a key adviser in preparation of the platform at Chicago next July.



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# Insurance Flourishes in the South

**Organizing new life companies is profitable business, with investors as interested as they are today.**

Every businessman knows vaguely that there are lots of life insurance companies in the U.S., if only from the number of calls their salesmen make each week. G. Albert Lawton (picture) is involved in a less conspicuous aspect of the insurance business—one that has become highly popular, and profitable, in the past few years. That's the business of organizing and selling stock in insurance companies.

Lawton is president of Georgia International Life Insurance Co., which started operations only last July under the aegis of a group of Atlanta businessmen. In that month, Georgia International sold an \$8.3-million stock issue which, because of insurance companies' popularity among investors, sold out within 24 hours. The issue also was the largest initial public offering any insurance company has made so far—a fact that lends perspective to the phenomenon.

• **Fast Growth**—The growth of new insurance companies is evident from these simple figures: In 1950, there were only 651 "legal reserve" insurance companies in the country; today, more than 1,400 are on the tally sheet. So far this year alone, some 70 companies have raised \$32.5-million in new insurance company capital, according to Best & Co., statisticians of the industry.

While a variety of factors lie behind this mushrooming, the primary motive naturally is the conviction that there's money to be made in life insurance companies. In the past 10 years, the assets of the life business have increased substantially, and the stock prices of most companies have reflected this by dramatic rises.

This is particularly true of Southern and Western companies, where the boom in population has bred prosperity and where the regulations governing the formation of insurance companies are less stringent than in other parts of the country.

• **Profit Possibilities**—The profit motive, however, has attracted different people for different reasons.

Big speculative interests find it a way to get in on the ground floor of a blossoming, tax-sheltered industry. The new tax law on life companies (BW—Jun.27'59,p109), bites a little harder but still leaves the life companies better off than many other kinds of business.



**NEW ATLANTA COMPANY**, Georgia International Life Insurance Co., is headed by Pres. G. Albert Lawton, former executive of Home Insurance Co.

For example, Murchison Bros. of Texas, haven for some of the Murchison family funds, recently acquired control of two life companies, Gulf Life Insurance Co. in Jacksonville and, after a long court fight, Life & Casualty Insurance Co. in Nashville. Garvis Kincaid, Kentucky millionaire, has also ventured from his newspaper, land, and banking interests into life insurance. And W. R. Stephens, head of one of Arkansas' newer and faster-growing family fortunes, just bought control of Union Life Insurance Co., which has about \$126-million worth of insurance in force.

Insurance companies also can be used

as a source of funds for some of their promoters' other ventures and a jumping-off place to seize control of other companies.

Texas, for example, which leads the nation with about 330 domestic life companies, had a spurt of new outfits a few years ago chiefly because some operators wanted to use them as lenders to their other enterprises. And one of the appeals of Union Life for Stephens was the fact that buying control of it gave him a majority voice in First National Bank of Little Rock, one of the biggest banks in Arkansas.

Fire and casualty companies look upon life company subsidiaries as a

# galvanized steel pipe

chosen for drainage  
and vent lines  
of this modern  
office building

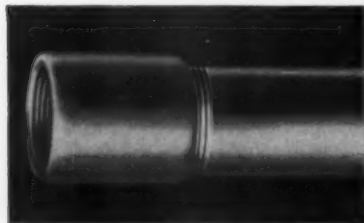
Everything about the new Seagram building at 375 Park Avenue, New York City reflects the experience of famed architects, Mies van der Rohe and Philip Johnson.

Quite in keeping with the quality concept was the selection of *steel pipe* for drainage and vent lines. Although durable *steel pipe* is outstandingly low in cost, it is equally outstanding in service. It's another example of the many kinds of jobs that *steel pipe* does best.

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## I. How to Organize

The typical homegrown insurance company, such as Georgia International, is a stock company organized by a group of local businessmen and financed largely through sale of stock to the public. Many of these companies are soundly financed and managed, and show reasonable growth potential. Some others, though, have run into rough going when they tried to raise additional financing to keep running. Inevitably, a few are little more than promotional schemes accompanied by various sorts of speculative shenanigans.

• **Arousing Interest**—You can get an idea of the factors behind the surge of new life companies from a look at Georgia International.

About a year ago, three Atlanta businessmen—Hughes Spalding, senior partner of a law firm; James D. Robinson, Jr., chairman of Atlanta's First National Bank, and Henry B. Tompkins, president of Robinson-Humphrey, Inc., an investment banking house—were invited to join a group forming a new insurance company. That deal collapsed, but their interest had been fanned; they decided to organize their own company.

Their first step was to enlist support from business acquaintances. They put together a board of directors that includes some of the city's prominent names. This group then hired a management consultant, Victor Tabaka, to conduct a search for a company president. In April, they selected Lawton, a former Home Insurance Co. executive and a highly respected man.

• **Reasons for Hope**—The group cites many reasons why it launched Georgia International:

• The life insurance industry has achieved a notable record in selling its products. Life insurance in force now stands at \$547-billion, roughly double what it was 10 years ago.

• The market for life insurance has expanded with the population boom, and life companies have developed all kinds of policies to tap this demand.

• The size of policies also has increased, as the standard of living has risen and the breadwinner has developed a fear of inflation that could erode the value of the dollar for his heirs.

At the same time, earnings records of many old-line companies show they can sell all this new insurance at substantial profits. This is due to favorable mortality experience, plus better methods of cost control. The earnings picture, moreover, is helped by the life companies' favorable tax rates. Those rates have been boosted a bit by the new insurance tax bill, but they are still

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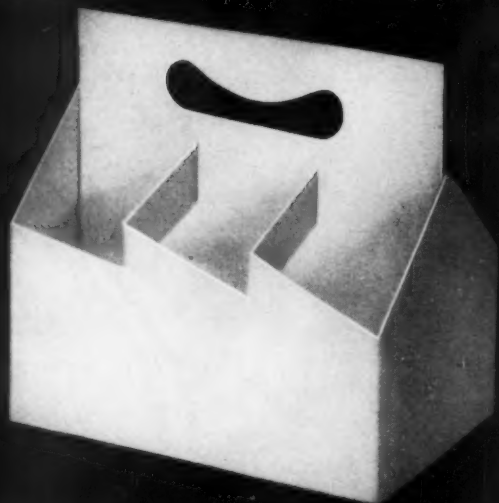
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**... there is no certainty that  
all these companies will  
make the grade ...**

(STORY on page 47)

lenient—especially for new companies.

The record shows that investors have made a potful from investing in the stocks of life companies. In Atlanta itself, Georgia International could draw on the case of Coastal States Life Insurance Co. of Atlanta, headed by former governor Ellis Arnall. If a purchaser had bought 50 shares of Coastal States stock for \$1,000 in 1947, he would own today, partly because of liberal stock dividends and splits, 638 shares worth \$24,000.

• **Regional Appeal**—Besides all these industry factors, the Atlanta group felt there were certain "Southern" features that made Georgia International a potential bonanza.

As they saw it, the South's emerging industrial role gives new companies in the industry a greater growth potential than other sections of the nation; new markets are opening up as new workers flood into Southern states, and the organizers had a strong desire, born of regional pride, to create a pool of investment capital to finance local growth, reducing their community's dependence on imported capital.

"It all added up to a practically tailor-made situation for forming life insurance companies," says Lawton.

Many other businessmen saw it the same way. One Atlanta executive grimly notes that "real estate agents, osteopaths, car dealers, everyone rushed to start life companies." The number of life companies in Louisiana rose in the past nine years from 77 to 122, in South Carolina from 27 to 48, in Alabama from 14 to 45, in Georgia from 17 to 33.

## II. Sound Financing

There is no certainty that all these companies will make the grade. The very fact that there are so many companies already in the field makes the outlook for success that much dimmer. But Georgia International is convinced it is one of those that will remain.

The company lays stress on experienced management. Management skill is vital, says Lawton. While this is something of a cliché, it is relevant, he insists, in a field where so many new companies have ignored it.

Vice-Pres. James Anderson, who was an insurance consultant before joining Georgia International, explains it further. He calls life insurance "the time-bomb business"—you can't tell how sound a business you're writing "unless

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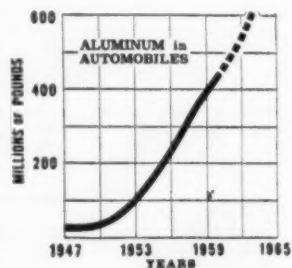
And so is the aluminum engine, made of Reynolds Aluminum.

Now you have a new choice in American automobiles: conventional front engine or new rear engine. And this is the choice that has caused some discussion, even controversy, that may obscure a basic fact.

The fact is that *the automobile industry is in harmonious agreement on the advantages of aluminum*. How aluminum is used—to reduce dead weight, or cut manufacturing costs, or provide decorative trim of lasting and rust-free beauty—may vary from one manufacturer to another.

But the agreement on the advantages of aluminum is demonstrated by the record—the continuous increase in the use of aluminum by every automobile manufacturer.

The automobile experts have demonstrated that

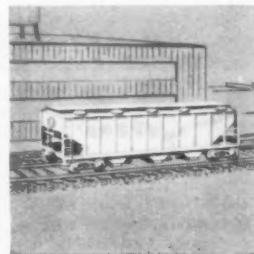


they agree on this major point: “big” car or “small” car, the more aluminum the more efficiency, economy, performance, lasting beauty, and value.

## Aluminum: Versatile and Rugged

The automotive engineers who have been responsible for this increase in the use of aluminum in automobiles are familiar with aluminum's advantages. They use it in their homes—as Reynolds Wrap and as cooking utensils, for example. They know aluminum as a most versatile and rugged metal, far stronger than steel, pound for pound.

They specify it for pistons, perhaps the hardest working parts in any automobile. They see it in use as the aircraft metal—for airplane engines, airframes, and wings that carry tremendous loads. They see aluminum dump trucks and railway freight cars taking terrific poundings and

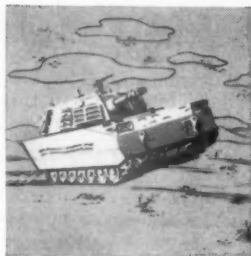


# REYNOLDS

# Attention on Major Point of Automobile Industry

making their extra payloads profitable.

And they work with the armed services in making aluminum-armored tanks, for which aluminum's lightness provides superior mobility, and aluminum's toughness provides superior protection.



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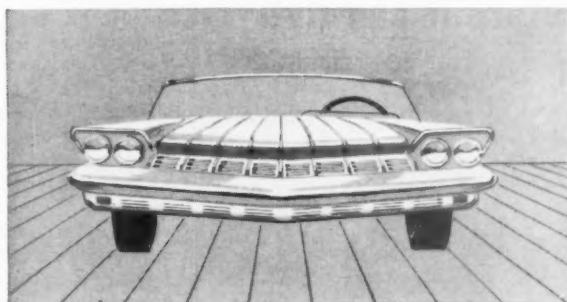
And the way to take off weight is to use aluminum.

So the new lightweight aluminum engines, made with Reynolds Aluminum, represent a long stride forward along the road the entire automobile industry is traveling—the aluminum road that leads to greater efficiency, economy, and value.

There will be other aluminum engines in the years to come—some in front, some in rear, some air-cooled, some liquid-cooled, depending on the needs of each particular model design.

## The Automotive Future Is Bright... With Aluminum

And there will be other uses of aluminum to reduce weight and increase value: *Aluminum bumpers*... they'll be stronger than the strongest steel bumpers of today, yet they'll weigh much less, and they'll never rust or flake or peel; *aluminum framing members*... strong, yet light in weight; *aluminum roof panels*, whose light weight will lower the center of gravity; *aluminum wheels*, with integral wheel, brake drum, and wheel cover to improve



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## ... companies without substantial initial operating funds must find more money within a few years ...

(STORY on p. 47)

you're one of the few experts" until a number of years have gone by, and then it may blow up in your face.

• **Ample Capital**—Financing a new company also is a tricky business, but Georgia International thinks that here, too, it has gone about it in a sound manner. The original group subscribed more than \$500,000—more than enough to satisfy legal requirements and more than the initial funds many life companies start out with. To insure their resources through the first five difficult years, they raised an additional \$7.5-million through public sale of stock.

Adequate capital is extremely important to new life companies. They cannot expect to show much—if any—profit during their early years of operation. In those years, the cost of putting insurance on the books, of commissions, and of setting aside the legally required reserves eats up a good deal of premium income. Thus, companies without substantial initial operating funds must face the need to find more money within a few years after they start operations.

This knowledge that it will have to return to the public, in Lawton's view, could lead a company into high-pressure selling tactics so as to create an aura of success in the early years. Business acquired under such pressure generally has a high rate of lapse within two or three years, depriving the company of any chance of recovering the cost of obtaining it, much less of realizing any profit from it. Lawton feels Georgia International's position is solid enough so that "we don't have to raise any additional money for a long time."

• **Quick Return**—The Georgia International group insists it is in for the long haul. It encourages its investors to take the same view. But it isn't overlooking the fact that, in this favorable market for the stock of life companies, it isn't always necessary to wait out the long term to make some interesting money.

Coastal States Life, for example, has merged six other companies into its structure. The last merger with Progressive Life Insurance Co. of Atlanta was arranged by three Atlanta brokerages and Phoenix, Inc., an investment company controlled by a group of Atlanta attorneys.

This group bought 83,107 shares of Progressive at \$40 per share, far above the then market value. After the merger, they exchanged the stock for 124,660 shares of the new company. These were selling at a price that, in effect,

lowered the unit cost of their Progressive stock to around \$26 per share. The brokers, whose portion of the whole deal was 74,728 shares of Coastal States stock, sold this block at \$37.50 a share, a profit of around \$12 a share.

In addition to legitimate speculation, the rapid entry of new companies has permitted various sorts of quick-money operations. Most of these promotions use fairly commonplace methods to turn a dollar: exorbitant salaries for the promoters, granting low-cost stock options, buying stock at 10¢ a share when setting up a new company and then selling it to the public at \$2 a share.

## III. Shakeout Time

The profusion of new life companies in the South—particularly the taint on some—has left the whole industry shaken. Eventually, industry executives feel, some companies will find that time has run out for them, and they will sell out to more established life companies. Already, signs of such a broad merger trend are unmistakable. Meanwhile, executives of established companies worry about the abuses in some of the new companies.

• **Agents Unshaken**—Surprisingly many old-line insurance agents in the South scoff at fears of competition. Says one: "We haven't even noted their existence from a competitive standpoint."

He explains it this way: He admits that many of the new companies sell substantial insurance at first, but he calls this "honeymoon business" from friends of the directors and stockholders. After the honeymoon is over, he claims, these companies don't find business so easy to get. Moreover, he argues, new companies can't match the big companies in product mix and in cost control.

Many agents admit, however, that the new companies have an advantage over the old-line companies that operate under New York laws—which they have to follow in other states as well. These companies are limited in the size of the agent's commission they can pay. In Georgia, as in some other Southern states, there is no limit on commissions for home-headquartered companies. Faster commissions mean higher acquisition costs for policies, but they also mean more policies sold.

• **Pinpointing a Market**—As Fred W. Lagerquist, president of Kennecaw Life Insurance Co., formed in 1954, sees it: "Getting business is no problem. The answer to how you compete with the larger companies is—you don't."

His company sells primarily in rural areas. "Our forte is the small agent in the small town, where size of company isn't important," says Lagerquist. Lawton also plays down competitive talk, suggesting that with expanding markets there's enough business for all. **END**



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It describes different kinds of plans currently in force, explains the tax advantages in detail, explores balanced portfolios and the securities that make them up—and tells you just how to go about taking the next step toward a pension program of your own.

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## The Money Squeeze in Canada

The tightness of credit shows up all over. But the experts don't think it has yet reached a point that will hold back the economic boom.

Money was tight as a drum in Canada this week. This showed up all around:

- In the 4.9% coupon that the government had to put on next month's issue of Canada savings bonds.

- In the latest rate on three-month Canadian Treasury bills, which at 5.6% is well above the U.S. rate.

- In the increasing squeeze on Canada's 11 commercial banks.

Of course, interest rates normally run higher in Canada than in the U.S. With U.S. rates mounting in the past year, Canadian rates have climbed even faster to maintain the traditional yield gap. Indeed, many bankers feel that Canadian rates have to be the higher; were they lower there might be a disastrous outflow of capital.

So far, Canadian experts don't feel that they have reached the "crisis" point, where the lack of available credit, at any price, would seriously impede the economic boom. One Toronto consultant says, "There's still money, if you can pay the price."

- **Signs of Slowing**—But there's little doubt that a tight money policy—pursued long enough and hard enough—will eventually crimp the Canadian economy. Some observers already see signs that things are slowing down. Housing, always the first to feel credit restraints, is about 13% below last year, when credit was easy. And the Canadian industrial production index declined slightly in July, for the third straight month—though economists note that this drop may be due partly to the steel strike in the U.S.

"It's clear," says Montreal's influential Swiss Corp. for Canadian Investments, "that the recovery period in the Canadian economy has been succeeded by a boom. Increasingly, tight money will exert a retarding influence which will moderate the rate of gain in the coming months." But it's anyone's guess whether the Bank of Canada, the central bank, will ease up if the economy does begin to falter.

James E. Coyne, governor of the Bank of Canada, who is firmly in the driver's seat on credit policy, still seems to regard inflation as the No. 1 danger and intends to keep a tight rein on credit. So money men expect a continuing downtrend in Canadian bond prices, and a corresponding rise in interest rates on all types of borrowing.

- **Intervention**—The Canadian government did intervene in the Treasury bill market in August—after the bill rate hit

6.16%—to bring about a sharp one-week reduction in rates. It did this by cutting back the amount of bills sold and by rejecting bids for \$31-million of the \$135-million bills it offered (BW—Aug. 29 '59, p83). But this proved to be a one-shot deal, much like the ill-fated intervention of the Treasury and the Federal Reserve in the U.S. money market last summer. Without special support, money rates have resumed their seemingly irresistible march upwards.

The problem of fighting inflation in Canada has been compounded by two factors:

- The Diefenbaker government has been incurring heavy deficits. According to one estimate, Canada's 1959-60 deficit should be about \$850-million, which is equal to about \$12-billion in U.S. terms. The Canadian money market has been under heavy pressure to supply these funds.

- There has been a strong upsurge in the demand for bank loans at a time when the Bank of Canada has been trying to hold the line on the money supply. A year ago, to support the government's massive \$6.4-billion conversion loan—which refinanced 40% of Canada's national debt—the money managers had to allow a 15% increase in the money supply (BW—Jun. 29 '59, p80). Since then, Coyne has uncompromisingly avoided further "unnecessary" increases in the money supply.

- **U.S. Sources**—Although credit is increasingly hard to come by in Canada, no surge of Canadian borrowing in the U.S. capital market is expected. The last substantial Canadian offering in the U.S. was the \$50-million issue of the Quebec Hydro-Electric Commission last July. According to Edward S. Johnson, president of Wood, Gundy & Co., Inc., Canadian bond dealers, no big offerings are in prospect for this fall. "U.S. rates are so high now," he says, "the advantage in borrowing down here has almost disappeared."

The Canadian banks have been selling government bonds, at a loss, in order to get cash to lend. Over-all, they have reduced their government holdings about 20%; some observers say that they don't consider it "prudent" to reduce their government holdings any further. The sales of governments have financed an increase of about 23% in "general loans," as compared to the previous year, but there's considerable doubt about how much more loan expansion the banks can accommodate. **END**

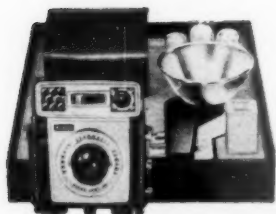


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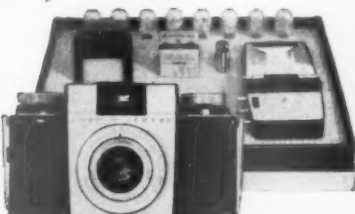
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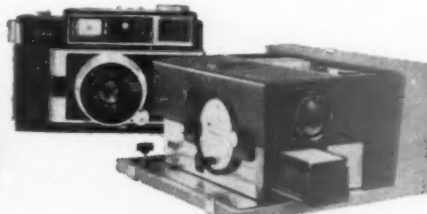
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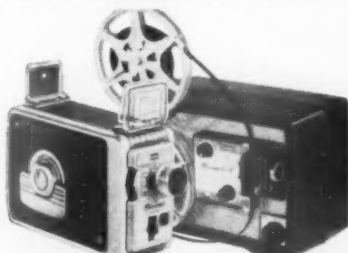
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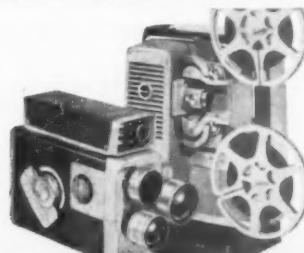
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# In Finance

## Chase Calls On Consumers to Go Easy As Installment Debt Piles Up

The Chase Manhattan Bank, the nation's second largest, warned this week that consumer credit may be approaching a turning point. The bank said that the increase in consumer credit in recent months has been adding about \$6-billion to the annual rate of consumer purchasing power. This is somewhat above the figure in 1955, when the rise in installment credit was a source of widespread concern. Chase said that this upsurge "will bear watching."

"Postwar experience," the bank notes in its latest economic report, "suggests that consumers are reluctant to build up installment debt to the point where repayments are more than 13% of annual income." Repayments already are running close to this figure, the bank estimates, indicating perhaps that consumers may be reaching the point of resistance toward piling up any more debt.

But Chase conceded that a good sales year for the 1960 car models would involve a further rise in installment credit. It called for restraint on the part of consumers and lenders to keep the net increase in credit in line with the prospective growth of consumer income. Such restraint, it added, is important in avoiding a repetition of the 1955 pattern, when a too rapid extension of credit contributed to a decline in car sales the following year.

## Dress Manufacturer Plans to Acquire Manganese Producer—and NYSE Listing

A big U.S. dressmaking company this week worked out, in effect, a backdoor method for getting a listing on the New York Stock Exchange. Jonathan Logan, Inc.—until now privately owned—announced plans to acquire Butte Copper & Zinc Co., which is listed on the NYSE.

Butte Copper has been affected in recent years by the roller-coaster market for domestic manganese, its chief product. In times of military emergencies, earnings have been good; at other times, almost nonexistent. It has been looking for a "steady source of income" for some time. Jonathan Logan has been mushrooming. Sales are up to \$30-million and after-tax earnings this year are expected to hit \$1.5-million, up from \$958,000 in 1958. But David Schwartz, Jonathan Logan president, wants the listing to gain "greater marketability" for his shares. He thinks this will put him in a stronger bargaining position in any possible future merger negotiations in which he might become involved.

If the deal goes through, Jonathan Logan still will have to apply to the NYSE for listing. Exchange officials say privately that they haven't any objections "in principle" to the plan that Jonathan Logan has worked out to

satisfy the listing rules—in particular the requirement for 1,500 shareholders, excluding concentrated holdings.

## Boston & Maine Asks ICC Permission To Postpone Payments on Bond Debt

The Boston & Maine RR, one of the financially distressed Eastern railroads, last week asked the Interstate Commerce Commission for permission to postpone payments on about \$50-million in debt due in the next year and a half. The move came as no surprise; in fact, doubt as to whether the B&M could meet its obligations was behind the ICC's decision earlier this year to cut the road's request for a \$6-million federal loan guarantee in half (BW—Mar. 14 '59, p. 58).

Under the B&M's proposed plan, assuming the ICC and 75% of the bondholders acquiesce, outstanding 4% and 4½% bonds due in 1960 and 1961 would be replaced with a 6% refunding issue. It would come due in \$1-million installments from 1961 through 1964, with the balance paid off in 1965. The B&M plan also calls for the creation of a four-man finance committee. Three of the members would be designated by the holders of not less than 40% of the new 6% bonds.

## Finance Briefs

Minneapolis-Moline Co., makers of agricultural equipment, took another big step this week toward resumption of dividends. It hasn't paid a dividend to common stockholders since 1953. The company said it would redeem all its 49,000 outstanding shares of cumulative convertible second preferred stock for \$25 a share later this month. It already has announced it will call all of its first preferred shares on Oct. 13. A year ago, the company cleared up dividend arrears on its two preferred issues and has paid regularly since then.

California Gov. Edmund G. Brown this week said he will seek a grant from a national foundation to finance a study of auto accident claims—with an eye toward claims attorneys, who he said "are getting too much money out of automobile accidents." Many insurance men feel that the claims attorney—who in many cases gets a third or more of what he collects for his client—has been a factor in pushing up the cost of auto insurance. Brown, himself, advocates a state commission to take over the function of the courts in awarding accident claims.

Under pressure from federal and state regulatory authorities, savings and loan associations in the San Diego area—which had been paying the highest rates in the nation—announced a reduction in rates, from 4½% to 4¼%, effective Oct. 1. Officials declined comment on the move, but Albert J. Robertson, chairman of the Federal Home Loan Bank Board, which supervises federally chartered S&LS, said last month that if the San Diego S&LS weren't earning the 4½% rate "with adequate provision for reserves and surplus," FHLBB "would bring influence" to bear to reduce the rates (BW—Aug. 15 '59, p. 75).

San Jose City Hall, San Jose, California • Architect: Donald F. Haines, San Francisco • General Contractor: Carl N. Swenson Co., Inc., San Jose;  
Curtain Wall Contractor: Michel & Pfeffer Iron Works, South San Francisco.



## Adios, adobe !

**Pueblo San Jose**, dating from the earliest Spanish occupation of California, started as a slapdash collection of adobe huts. Not that there's anything wrong with adobe . . . baked mud was the best building material people could find at the time.

In 1957, the people of San Jose used the same approach when they built their new city hall. They used the best building material they could find: curtain walls of porcelain-enameled steel on a structural steel framework. The building is beautiful, and the price was low. Steel curtain walls are much lighter than conventional walls, so the building's foundation and structural frame are lighter—and less expensive. Construction time and labor costs were cut because steel curtain walls are *factory* assembled. They are delivered to the site as complete units that are ready to be bolted into place. Entire walls are erected in days instead of months.

Porcelain enamel on steel is a time-tested building material that practically eliminates maintenance. The steel panels are strong and rigid, and they're sealed against weather and moisture. They have a hard, glasslike surface that even rainfall will keep clean. These walls will still look bright and new decades from now.

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Just wait till you see it. Everything about the '60 Chevy, every styling accent, every engineering detail, has been polished and refined to a degree of perfection never before thought possible for a car in Chevrolet's price class.

Picture practicality and economy (there's even more of it in a new gas-saving V8!) combined with much of the luxury and hushed comfort usually associated with high-priced automo-

biles. That's Chevy for '60. Its overall effect is one of quiet elegance, a sophisticated new shape that embodies spacious inner dimensions. Space for long legs and broad shoulders, with sofa-wide seats and even more foot room for front seat passengers. Space that specializes in family travel!

Really, you have to see this one up close to appreciate its fresh beauty and fine workmanship. You have to take a

turn behind the wheel to know its astonishing smoothness and almost total absence of road hum and vibration. We'll admit our enthusiasm's showing just a bit—but once you've dropped into your dealer's we're sure yours will be, too. *There's nothing like a new car—and there's never been a new car like this '60 Chevrolet!* . . . Chevrolet Division of General Motors, Detroit 2, Michigan.

# '60 CHEVROLET

What else  
is new?

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**THE REVOLUTIONARY**  
**Corvair**  
**BY CHEVROLET**  
**WITH THE ENGINE IN THE**  
**REAR WHERE IT BELONGS**  
**IN A COMPACT CAR! ★ ★ ★**



*You have your choice of two Corvairs—this one's the de luxe Corvair 700.*

*The only American car with an airplane-type horizontal engine!*  
*The only American car with independent suspension at all 4 wheels!*  
*The only American car with an air-cooled aluminum engine!*

The rumors about this one were right—but they didn't go far enough. Because here, for the first time, is a truly compact American car that retains the ride and 6-passenger comfort you're used to in a big one. The key to this small miracle: America's only rear-mounted aluminum engine—a revolutionary 6-cylinder power plant that combines compactly with the transmission and drive gears in one lightweight package. You'll get up to 30% more miles to a gallon and—because this engine is *air cooled*—you'll never need antifreeze.

Floor is practically flat for more foot room. Corvair's size makes it a joy to jockey through traffic and park in tight spots. Yet its unique Unistrut Body by Fisher offers plenty of room for 6 passengers. And, thanks to Corvair's rear engine, the floor is virtually level, front and rear, so there's generous foot room. *Easy*

*handling without power assists. Shifting engine weight to the rear also adds extra ground-gripping traction and gives better compact car handling and braking. And with independent suspension at all 4 wheels, Corvair rivals much more costly cars in the poised, unruffled way it rides.*

*A price your budget will appreciate. You'll find the most practical thing about this new Corvair is its price. Visit your Chevrolet dealer soon—and see what a wealth of engineering a modest amount of money buys! . . . Chevrolet Division of General Motors, Detroit 2, Mich.*



**THE FLOOR IS PRACTICALLY FLAT** for more foot room. Trunk's up front—and you can also have a handy folding rear seat (optional at extra cost) for added storage space. Lightweight rear engine, compactly combined with transmission and drive gears, is world's first production 6 with ultra-smooth power of horizontally opposed pistons. And wrapping up all these brilliant features is Corvair's brilliant new styling—pure and simple as modern architecture. **THERE'S NOTHING LIKE A NEW CAR—AND NO COMPACT CAR LIKE THE CORVAIR . . . by CHEVROLET!**

# In Management

• • •

## U. S. Executives Abroad Found Unprepared To Deal With Differing Culture Patterns

The major problems in relations between American and foreign executives stem from differences in cultural attitudes, and few Americans sent abroad are equipped to cope with them.

These are the findings of Dr. John Fayerweather, associate professor of international business at Columbia University, after a study of administrative relationships in Mexican branches of U.S. corporations. In a new book, *The Executive Overseas*, he pinpoints some of the difficulties created by such Mexican cultural traits as individualism, competitiveness, stress on personal relationships, status and class consciousness, inferiority feeling toward Americans, and sensitivity to criticism.

Some 25,000 American executives are now stationed in foreign countries, Fayerweather reports. Yet, he says, in preparing men for such assignments most companies "have barely scratched the surface."

Instruction in the local language, etiquette, and business system is not enough, according to Fayerweather. The American executive also needs to understand the country's history, religion, traditions, and social structure and their effect on working relationships.

Some of Fayerweather's other suggestions:

- Higher-quality men should be sent abroad.
- They should be evaluated on their adaptation to the environment.
- More attention should be given to the training of foreign executives in management techniques.

• • •

## United Fruit Picks Lawyer as Chief; Other Top Executive Switches

United Fruit Co., plagued by unsettled conditions in the Caribbean and in the banana market, has gone outside its own management ranks for a new chief executive.

Lawyer Thomas E. Sunderland, now a vice-president of Standard Oil Co. (Indiana), will take over the reins at United Fruit Nov. 1. He will succeed Kenneth H. Redmond, who will retire at 65 after 42 years with the banana producer.

Other top executive shifts:

R. O. Rhoades, a geologist who has been executive vice-president of Gulf Oil Corp., has been elected chairman of the board. He succeeds David Proctor, who is retiring.

Charles J. Stewart, a general partner in the New York investment firm of Lazard Freres & Co., has been named president of Manufacturers Trust Co. Chmn. Horace C. Flanagan will continue as chief executive officer. A former president of New York Trust Co., Stewart probably would have been made president of Manufacturers Trust seven years ago if a proposal made at that time to

## MORE NEWS ABOUT MANAGEMENT ON:

- P. 64—How companies are trying to define their purpose in life.

merge the two banking institutions had gone through.

William E. Grace, president of Fruehauf Trailer Co., has been made chief executive officer. Roy Fruehauf, who has been chief executive, will continue as chairman.

Harry E. Houghton has again been elected president of Encyclopedia Britannica, Inc. During his first term, 1948-1951, he was also president of Muzak Corp. In the interim Houghton has continued to head Britannica's executive committee. His return to full-time publishing was prompted by the sale of Muzak last year.

• • •

## B-School Grads Get Increasing Share Of Executive Posts Open in Industry

U.S. companies are turning more and more to collegiate business schools for their executives. A new survey of medium-size (300 to 1,000 employees) manufacturers found that their total number of management men has increased 64% in the past 10 years, but the number of managers with B-School degrees is up almost twice as much: 118%.

The survey, conducted by Bruco Payne & Associates, Inc., management consultants, showed—not surprisingly—that the younger the executive being hired, the more important the hiring company considered a business school education. Most managements agreed that such training was very important for an applicant under 30, was rarely considered for a man over 50.

The companies also reported lower turnover among B-School grads than employees of the same age group who had had other majors in college. Payne suggests this is because the business major's "career goals are usually more clearly defined."

• • •

## Executives Want Political Roles For Their Companies and Themselves

Corporations should take an active interest in government, according to a majority of the companies recently surveyed by the National Industrial Conference Board. The reason most frequently given for corporate political action was that it is part of a company's "responsibility of citizenship." Nearly all the companies supported the less controversial idea that businessmen as individuals should play a bigger role in politics; although most of them conceded that few executives have the time.

However, companies that go into politics should have as their objective the elimination of corruption and waste, not legislation in their own interest, Marion M. Johnson, vice-president of Brown-Forman Distillers Corp., told the American Management Assn.'s fall personnel conference last week. He said his company failed in a campaign to stop a state tax increase because its purpose was selfish.

## What XYZ Mfg., a Corporation of Many Images,



... the vigorous competitor



... the hard-pressed supplier



... the rank-and-file employee



... the satisfied customer

## Latest Fad Among the Brass:

During the past few years, public relations has been swept by a number of fads. As ticked off by PR, the quarterly review put out by the American Public Relations Assn., the crazes have run from the "building of good will" through "gaining understanding" and "doing right" to "determinative issues"—i.e., "use a rifle, not a shotgun." The list ended with cordial, if tongue-in-cheek, hospitality: "Welcome to the new public relations enthusiasm, the Corporate Image."

There's little doubt that the term

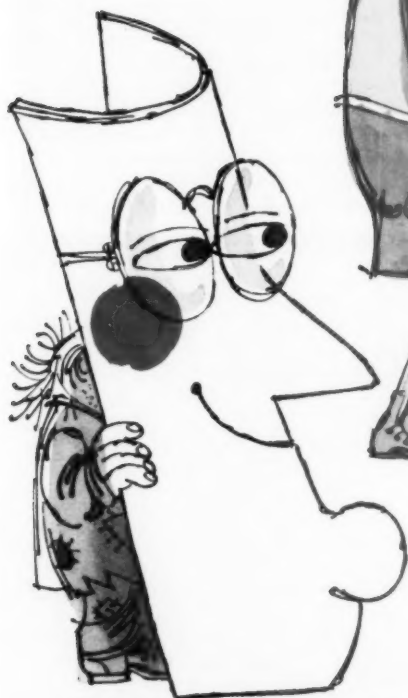
"corporate image" is much on the lips and penpoints of publicists, designers, advertising salesmen, and almost everyone else responsible for promoting and selling a product or presenting a corporation's face to the public. One ad agency executive comments, in a book on the subject due next spring from Charles Scribner's Sons, that corporate image is one of the most fashionable new notions to hit business since "marketing concept." And a public opinion researcher, at a seminar on corporate image held last week by American

Management Assn., observed: "I don't know what it is, but I'm sure it's very important."

• **Definition**—In its purest form, the corporate image approach differs from some of its faddish predecessors in that it can't so easily be confined to the public relations department. It not only involves top management; it must begin with top management. As a philosophy, it holds that every company must have a concept of itself, hammered out by the brass. Rather than just a vague feeling that the company

## Looks Like to...

... the big investor,  
alarmed over  
accumulations  
of idle cash



... the company's hometown,  
where ugly plant wears  
fancy face



... the small investor



... the public at large

## Find the Corporate Image

exists to make a profit by turning out a decent product, there should be a fairly precise definition of its proper field of endeavor, approach to business, and place in the economy. Ideally, this one concept should replace all the separate and conflicting notions often held about a company by different members of its public (drawing, above). Edward Howard, a Cleveland public relations man, lambastes loose use of the term: "The phrase is dangerous because it sounds so specific and tangible, which it isn't. ... It implies that a corporation's image

is something with an isolated life of its own, and that you can make it appealing by fiddling with a mysterious set of knobs with labels like 'advertising,' 'public relations,' and 'design.'"

• **New Bottle, Old Wine**—Often, too, the term is used simply to update some rather standard ideas. At last week's AMA seminar, for instance, a discussion of "employees as holders and conveyors of the corporate image" turned into an exchange of fairly ordinary ideas concerning such things as benefit plans, bulletin boards, house organs, and

company-sponsored employee parties.

The term has been latched on to as a device to sell a company on having a new trademark designed, on buying advertising space in a particular publication, or on hiring a certain firm of consultants. A column in *Advertising Age* recently insisted that "anyone who has served half an apprenticeship in either public or industrial relations" knows that "there isn't a single new thing about the corporate image except the silly label they have affixed to it."

In at least a few cases, however, the



## Industry's Chemicals:

### WHAT'S MAKING NEWS?

No one knows better than industry management that the product with the most "plusses" has a head start in the sales scramble. In their restless quest for the better way, researchers sometimes hit upon one material that adds several to a product in one fell swoop. Bromine is such a material. Because of its desirable properties it enters into an unusually broad spectrum of industrial products and applications. A number of these are discussed below.

You may wish to check certain items in this advertisement and forward to those concerned in your company.

#### ROUTE TO:

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# Fresh Fields to Conquer for First Dow Product

**Veteran bromine takes time off from photographic, dye, other vital duties, to try its hand at new skills.**

The value and versatility of bromine were already widely recognized when Dr. Herbert H. Dow extracted it from Michigan brine wells in 1897. No other substance—then or now—offers its unique combination of useful characteristics . . . high specific gravity, good reactivity as a chemical intermediate, and algacidal qualities. This versatile chemical and its derivatives have extensive application in pharmaceuticals, foodstuffs, cosmetics, gasoline and photographic chemicals.

The cornerstone of many product classifications, bromine compounds today serve as oxidizers in hair waving preparations and as algacides in industrial process waters. Bromine compounds have likewise proven their effectiveness as fire-extinguisher fluids. Bromochloromethane, developed during World War II, has been used extensively by the armed services, and in some commercial installations. Bromotrifluoromethane and dibromodifluoromethane have also been used in extinguishers. And recent Dow research, carried out in conjunction with government agencies, has shown still other bromofluoro compounds to be of interest as fire fighters.

Bromine is extensively utilized for

the preparation of brominated chemical intermediates. These compounds are highly reactive, the bromine being easily replaced by other groups. The advantage of such intermediates is twofold: fewer by-products are likely to be formed and, in general, lower pressures are required.

And hydraulic engineers who are searching for fluids with superior properties are finding bromine of definite help. The fact that bromine is three times as heavy as water makes brominated compounds likely candidates for use in synthetic hydraulic fluids now under development.

As a major producer of bromine, Dow has played a key role in developmental work with bromine for more

### FOUR CHEMICALS IN THE NEWS SPOTLIGHT



#### ION EXCHANGE RESINS

Dowex® brand resins are specialists at rescuing valuable materials that would otherwise be lost. Example: recovery of uranium. Dow constantly develops new specialized resins.



#### PHARMACEUTICALS

Acetylsalicylic acid, bromides, salicylates and analgesics are some of the high quality raw materials Dow supplies to the pharmaceutical industry in great volume.

than sixty years. Today it offers the widest selection of bromine and brominated compounds, as well as an unmatched storehouse of experience and know-how, which it makes readily available to industry.

#### SUPPLY FORECAST:

##### *Continued steady*

As chemical middlemen, or intermediates, as they are called—polyols play vital roles behind many manufacturing scenes. The jobs they do range from the familiar use of ethylene glycol in antifreeze to many lesser known applications in food, cosmetics, pharmaceuticals and plastics. Polyethylene glycols and polypropylene glycols, for example, are being investigated by

enterprising manufacturers on the lookout for product improvement possibilities.

As the producer of "the world's widest line" of polyols, Dow has exerted a steady influence on availability. In the case of glycerine, one of the most widely used polyols, appearance of new Dow production facilities in 1954 has helped to keep this chemical commodity on an even keel ever since.

#### CLEAN SWEEP

##### *For safe solvent*

Putting the right chemical to work on the right job has saved many a dollar in plant operations. Take maintenance cleaning, for example. The



Chlorothene cleans parts and equipment more thoroughly, and with increased safety.

solvent that does the best *cleaning* job sometimes poses a safety problem . . . either a fire risk or a health hazard—or both. Conversely, a safe solvent may not be a really effective one.

Chlorothene®, one of the wide line of Dow chlorinated solvents, wraps all these desirable characteristics — and none of the undesirable—into one neat package. It's a safer solvent, from both the fire hazard and toxicity standpoint. And it delivers top drawer results as a dip, wipe, spray or bucket cleaner. In fact, it wins all events in the solvents sweepstakes when it comes to time and money saving performance!

★ ★ ★ ★

#### LET'S GET DOWN TO CASES

If you're interested in any of the Dow chemicals briefly discussed here, send for detailed facts and figures. Address your request to THE DOW CHEMICAL COMPANY, Midland, Michigan, Chemicals Merchandising Dept. 608AF 10-3.



Bromine's applications in useful compounds range from cold-wave lotions to fire extinguishing formulations, photographic chemicals, automatic transmission fluids and gasoline additives.



#### MINING CHEMICALS

Mining men rely on highly specialized chemicals to help them wrest minerals from nature's grasp. Dowfrath® 250, Xanthates, other Dow mining chemicals head the list.



#### PENTACHLOROPHENOL

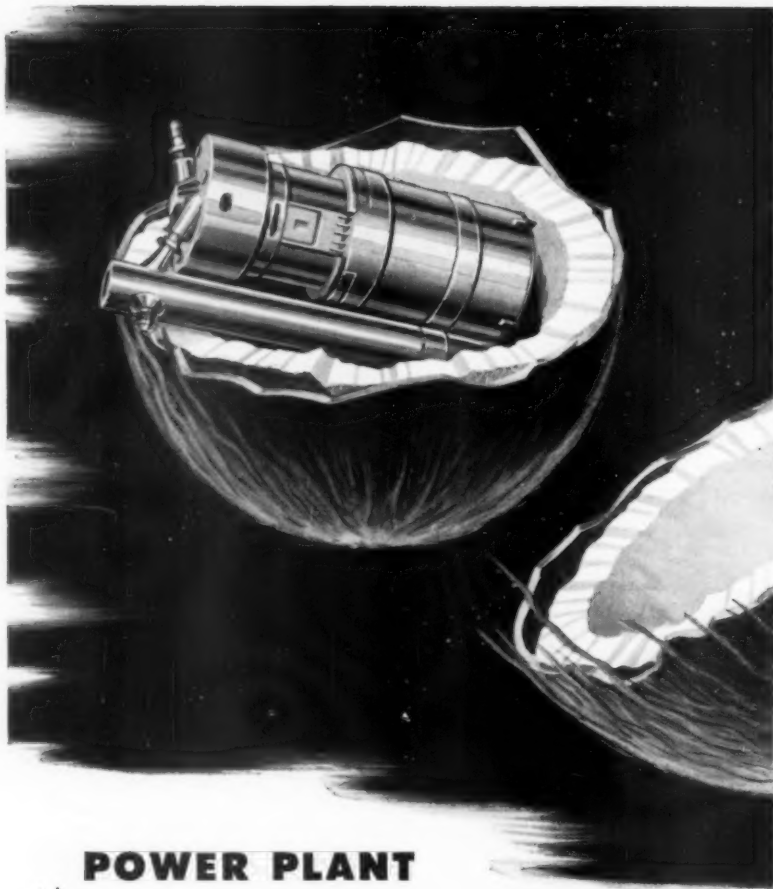
Fact-filled booklet shows several different types of industrial pole buildings. Tells how low cost Penta-treated poles make buildings strong, durable, attractive. Write today.

#### DOW CHEMICALS basic to industry

Glycols, Glycol Ethers  
Amines and Alkylene Oxides  
Benzene Derivatives  
Inorganic Chlorides  
Alkalies and Halogens  
Solvents • Germicides • Fungicides  
Herbicides • Fumigants  
Hundreds of other Chemicals  
Plastics • Magnesium

THE DOW CHEMICAL COMPANY  
MIDLAND, MICHIGAN





## POWER PLANT IN A NUTSHELL

Getting a missile off the ground is just the first step in putting man into space... or in delivering a payload thousands of miles away within minutes after somebody else has pushed a button. You also have to make sure the "business end of the bird" reaches its assigned destination, and does what it's supposed to do when it gets there.

To supply reliable electric power for fuzing, telemetering, and guidance, TAPCO has developed MINIAPS—a miniature turbogenerator that provides up to 200 watts of power in four different outputs of AC and DC.

This compact, light-weight power plant is self-contained and self-regulated. It uses the hot gas generated by solid fuel to feed a turbine that turns an electric generator at 60,000 rpm. Transistorized speed controls govern AC frequencies to precise limits.

MINIAPS is a result of TAPCO's continuing research to develop the secondary power systems of the future. Ask us in early to discuss your specific auxiliary power supply requirements.



**TAPCO GROUP**  
**Thompson Ramo Wooldridge Inc.**

Dept. BW-11059 • Cleveland 17, Ohio

DESIGNERS AND MANUFACTURERS OF SYSTEMS, SUBSYSTEMS AND COMPONENTS  
FOR THE AIRCRAFT, MISSILE, ORDNANCE, ELECTRONIC, AND NUCLEAR INDUSTRIES

concept of corporate image has been used by a company to real purpose: to describe a serious reappraisal of goals. When this happens, it's up to the company's promotion people—using all techniques at their disposal—to convey the new image to the public.

• **Many Faces**—The experts who use "corporate image" in its most specific sense argue that every company has one. It has, in fact, many images with many publics—customers, employees, suppliers, and so on. The result can be confusion, and this confusion, it is argued, can work to the detriment of the company.

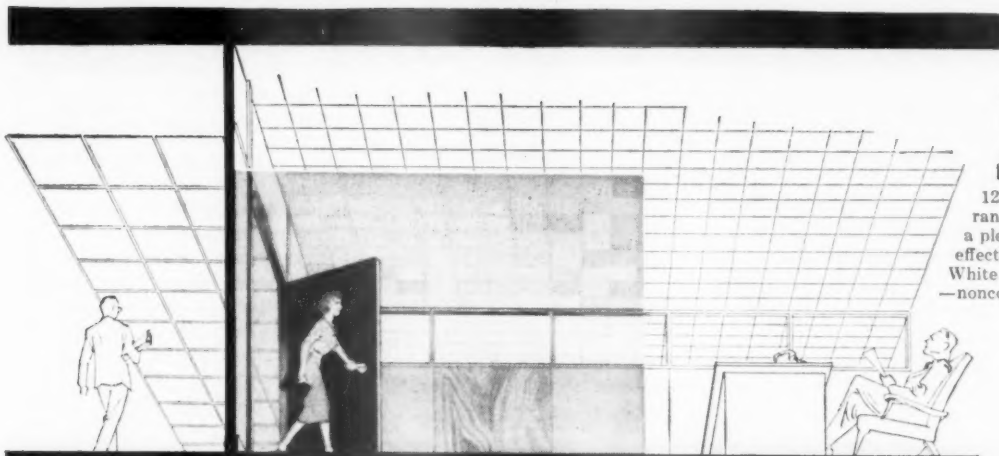
Sometimes these images are created intentionally (as by product advertising that emphasizes reliability) and sometimes quite unintentionally (as by a snippy telephone operator). But often a company will contradict itself even in its intentional utterances.

Thus, to its employees, XYZ Mfg. Corp. may paint itself as the soul of generosity, freely dispensing benefits and pay; at the same time, XYZ may be telling stockholders it's a conservative organization that diligently watches every cent of expense. When employees become stockholders, and start hearing both sides, bewilderment is likely to result. The AMA meeting heard of a company that sent two press releases on the same day—one saying the company couldn't afford any wage increases at all, let alone what a union was demanding, the other announcing the second most profitable quarter in its history.

• **Consistency**—As a cure for all this, proponents of the corporate image concept urge "consistency," "coordination," and "unity" of promotional efforts. The idea is to follow the example of certain department stores, which have long tried to infuse store personality into all the products they sell (BW—Jun. 18 '58, p57).

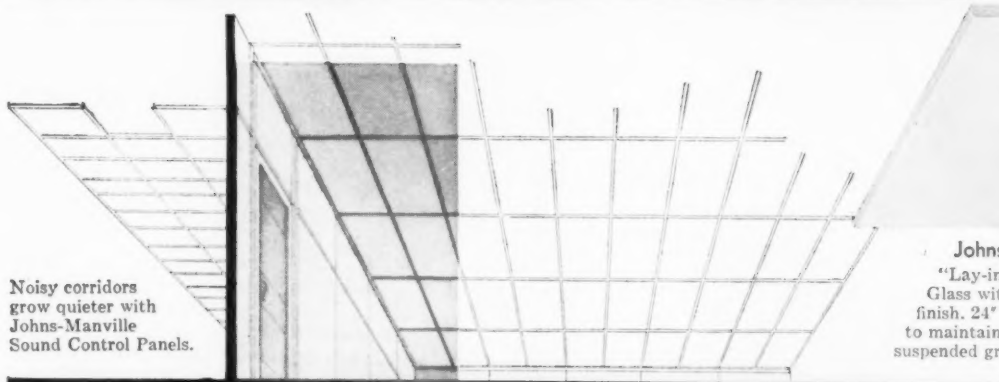
At Container Corp. of America, for example, the decision was to try to make itself known as tasteful, resourceful, original, and design-conscious. To promote this idea, it redesigned everything from checks to delivery trucks and has sponsored a long ad campaign featuring "great ideas of Western Man." Because receptivity to new ideas is high on its list of values, the company recently allowed a group of Yugoslavs to tour its Chicago plant—though some important management men were opposed to Communist guests.

The goal doesn't have to be a reputation for progressiveness. An established Long Island paint manufacturer refuses to consider even a new letterhead; it wants to be known as a "crotchety, old-fashioned firm dating back to the Civil War." This case was cited by Lee H. Bristol, Jr., a divisional public relations director for Bristol-Myers Co. and editor of the Scribner's book, who was



#### Johns-Manville Drilled Mineral Tiles

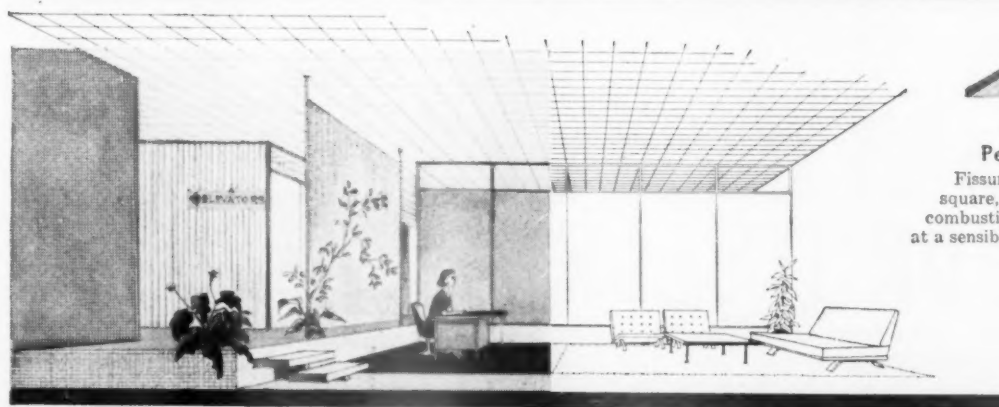
12" x 12", uniform or random drilled—create a pleasing ceiling highly effective in muffling noise. White finish—easy to maintain—noncombustible.



Noisy corridors grow quieter with Johns-Manville Sound Control Panels.

#### Johns-Manville Panelglas

"Lay-in" panels of J-M Fiber Glass with finely textured surface finish. 24" x 24" or 24" x 48"—easy to maintain—easy to install with suspended grid systems.



#### Johns-Manville Permacoustic® Tiles

Fissured acoustical tiles a foot square, made of stonelike, noncombustible materials. High style at a sensible price.

## Get rid of disturbing noise

use any of these 3 acoustical ceilings by Johns-Manville

Let your public be visitors, customers, patients, clients or students, the fact remains the same: it pays well to get rid of disturbing

noise. This has been the job of Johns-Manville Acoustical ceilings for decades. There are J-M Acoustical Panels of textures and kinds

to meet every need. For full information, write to Johns-Manville, Box 158, New York 16, N. Y. In Canada: Port Credit, Ontario.

# JOHNS-MANVILLE



# INDUSTRIAL DUST RECOVERY PAYS FOR ITSELF

"Dust" created in your production processes may be an important source of potential profit: eight out of ten Buell dust recovery installations pay for themselves in five years or less.

Buell extra efficiency delivers extra income. ■ Dusts of recoverable value are generated in foundries, chemical process equipment, mills, dryers and many other industrial locations. To recover these dusts, or collect nuisance dusts, we have engineered and manufactured more than 1300 installations using high efficiency cyclones, electric precipitators, or combination cyclone-precipitator systems. ■ Worth looking into? No obligation, of course. For a copy of Catalog 101 or further information, call the Buell representative listed in the telephone classified directories of most major cities under "Dust Collection Systems". Or write Dept. 30-J, Buell Engineering Co., Inc., 123 William St., N. Y. 38, N. Y. (Subsidiary: Ambuco Limited, London, England.)

**EXPERTS AT DELIVERING EXTRA EFFICIENCY IN DUST RECOVERY SYSTEMS**



**buell**®

a discussion leader at the AMA seminar.

• **What to Stress**—Some companies have found that it's not always advisable to stress the attributes that seem positive. According to Pierre Martineau, research director of the Chicago Tribune, the major meat packers had a well-accepted image for quality, value, and dependability among Los Angeles housewives, but the women preferred a regional packer's products because of the company's "youthfulness, fun, imagination, inventiveness, and sincerity."

Sometimes an image can backfire. Irvin Penner, vice-president of A. J. Wood Research Corp., which conducts "image studies," warns that a quality image "carries with it a connotation of a higher price for the product." If consumers tighten their belts, this connotation "can work to the detriment of the product even if, in actuality, the product is priced the same as the competition."

• **Raison d'Etre**—Most managers want their company to have an image as a reliable producer of goods. But advocates of the concept argue that this isn't enough. One AMA speaker said the corporate image should be "abstraction of your reason for being."

A well-informed image can mean actual dollars of sales, as General Electric Co. can attest. Early in 1958, GE sponsored a national sampling of public opinion to find out what people thought of it as a producer, an employer, a company to invest in, and a force in the U.S. economy. It turned out that people with a favorable over-all impression of GE were more likely to recommend its products than people who held its products in high regard but had no opinions about the company as a whole. So GE reasons that the man in the street will be a better customer if he has a broader picture of the company.

So, GE has just prepared a booklet outlining for popular consumption its goals and policies. It describes itself as "the leading manufacturer of electrical and allied products, a leader in research and development, one of the nation's finest creative and productive teams, a vital contributor to major new areas of business growth." Admittedly, this is a broad generalization, but the company says it couldn't have said even that five years ago; management hadn't yet defined GE territory.

• **Creating Order**—Like GE, many big companies see the need to give themselves a unified identity—to appear not a polyglot but a corporation constructed of blocks that fit logically into one another.

Thus, General Motors Corp. now defines its area as "anything based on a motor," and Lever Bros. describes its bailiwick as "anything that's used to clean anything." When Brunswick-Balke-Collender Co. bought a hospital supply outfit, it quickly inserted

# Latest style in Albany, New York

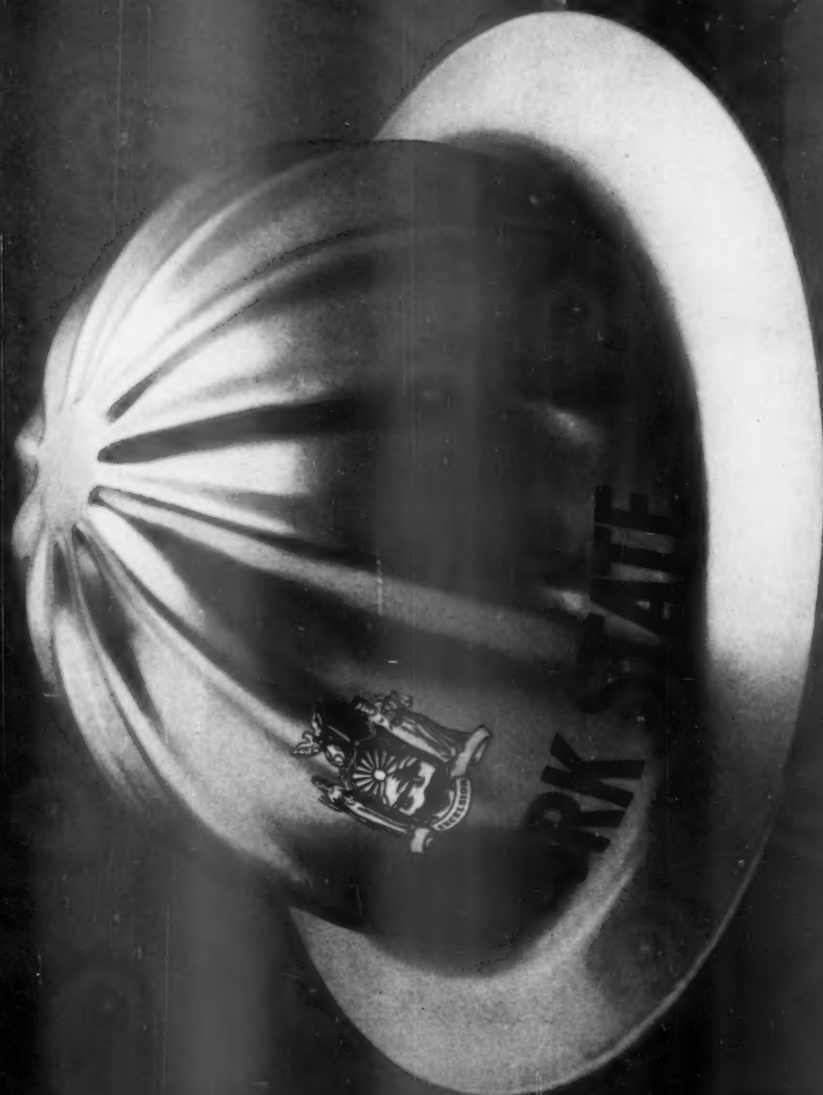
THIS IS A HARD HAT. It's worn by men who get things done. It's the perfect symbol for the new spirit in New York State...a spirit that's working to create more and better job opportunities for everyone by encouraging business to grow.

Focal point of this new spirit is the capital city of Albany. The city is alive with "doers." Successful business and professional men who gave up positions of responsibility to help Governor Nelson Rockefeller make New York State an even better area for companies to locate and grow...an even more rewarding place to live and work.

You'll see and feel the work of the hard-hat "doers"

in many ways. In the interest in streamlining the administration of laws affecting business...in the new survey of New York's business climate...in the new study of taxation...in new approaches to plant financing and in many other new developments.

If you agree that your company could grow and prosper in this hard-hat businessman's climate, get in touch with the Commissioner of Commerce, Keith S. McHugh. He will send you, free, confidential, up-to-date reports on sites, labor, transportation, markets, raw materials, water. Write Keith S. McHugh, New York State Department of Commerce, Room 152, 112 State Street, Albany, N. Y., or phone ALbany 5-7521.

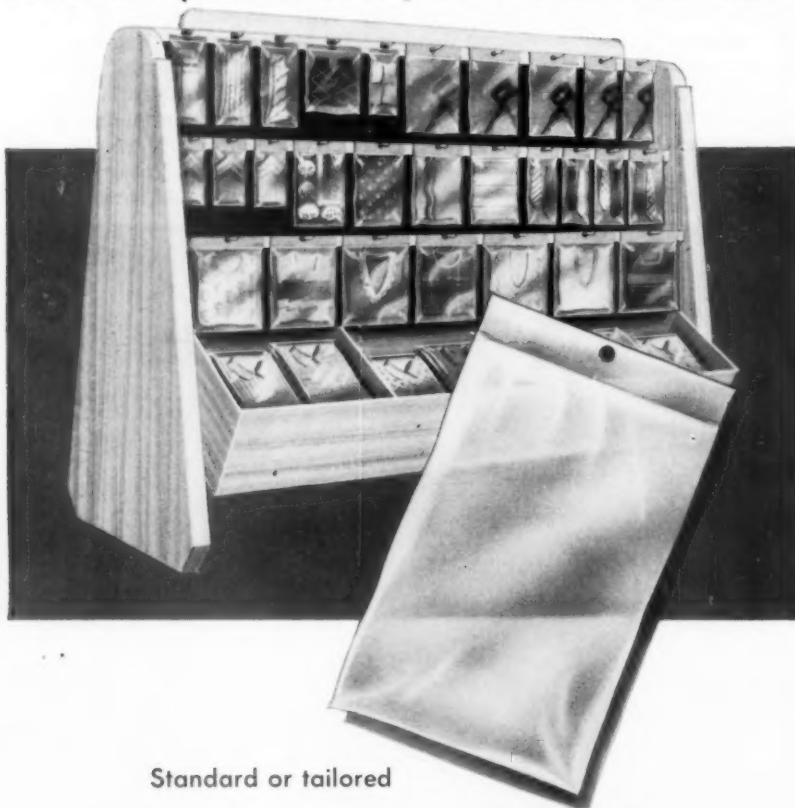


GET UP TO DATE ON NEW YORK STATE  
where they're talking the businessman's language

# kennedy

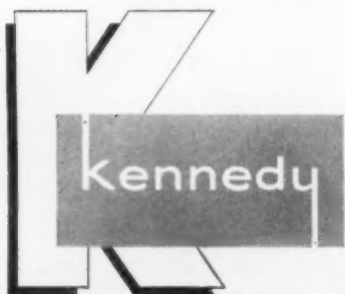
## flexible packages...

### PROTECT, ENHANCE, REVEAL AND SELL



Standard or tailored  
to your product, Kennedy paper and flexible film  
packages move goods faster and safer. Thousands of large  
and small companies find Kennedy service, quality,  
design and prices meet and exceed their packaging  
requirements. We'd like to work with you, too.

Ask for "This Is Kennedy" . . . a 16-page illustrated  
brochure that shows you our capabilities.



KENNEDY CAR LINER & BAG CO., INC.  
1000 Prospect Ave., Dept. K  
Shelbyville, Indiana

"health" into its slogan, "serving the nation in recreation, education, and defense."

• **Public Bosses**—In the view of some observers, the general public is now the ultimate regulator of business (BW—Sept. 12 '59, p186), and the image it holds of a corporation can be vital to the company's health—and even survival. This view is strongly espoused by William H. Dinsmore, general manager of public relations for American Can Co., who headed GE's public relations research at the time of its first extensive corporate image survey. He relates the Supreme Court order to du Pont to get rid of its General Motors stock directly to the public image of the two companies.

"What the court decided," he says, "was that ownership by the world's largest chemical company of one-fourth of the world's largest automobile corporation just plain doesn't make sense to the public. It doesn't fit the public's image of what is an appropriate mission and scope of operation for a powerful corporation."

• **Sensitive Utilities**—Public utilities have been especially conscious of their over-all image, because they are so subject to public regulation. Southwestern Bell Telephone Co., for example, became disturbed when it learned that 39% of its customers had no opinion when asked: "Aside from providing telephone service, do you think the telephone company does its part to help in local civic and community affairs?" The company called on all its employees to help "improve our corporate citizenship—and gain recognition for it."

Similarly, Consolidated Edison Co. discovered that those New Yorkers most opposed to private ownership of power facilities were most likely to think Con Ed set its rates without any governmental involvement. So the company began emphasizing in all its advertising that the State Public Service Commission has the final word on rates.

• **Manager's Gain**—For the individual management man, there may be an even more immediate reward in outlining what he wants his corporation's image to be. At least, so argues Leo B. Moore of the Massachusetts Institute of Technology, in Bristol's book on corporate image. In a large and complex business organization, Moore claims, the manager runs the risk of becoming lost and confused. But, he adds, "the challenge of unified thought and action can be a great personal resource. . . . As he grows in his ability to handle the image and to control his impact upon it, he in turn will grow. He will be able to set broader goals, better measures, make more deliberate analyses, more effective decisions, and seek more regular reviews of his managing activities. He will learn to be a better manager." **END**



**"WEIRKOTE® WON'T PEEL OR FLAKE—AND CAN END THE NEED FOR FURTHER CORROSION PROTECTION AFTER FABRICATION."**

**Q.** A zinc-coated steel sheet that won't peel or flake, even under the severest fabricating stresses?

**A.** Precisely. Weirkote's made by a continuous process. The zinc is so integrated with the steel that even the toughest "torture" tests of fabrication leave that bonded coating intact. You can work Weirkote to the very limits of the steel itself!

**Q.** Our products are pretty intricate—take lots of flexing, crimping and so on. What about those hard-to-reach places?

**A.** Weirkote's zinc coating is so uniform—protects even the most complicated parts.

**Q.** So with Weirkote you bypass the need for further corrosion protection?

**A.** You get the picture! Think of the time, labor, space—the costly capital outlay—you save. Better steel products at far lower costs—that's Weirkote for you!

*Send for free booklet that details the time-and-cost-saving advantages of skin-tight zinc-coated Weirkote. Just write Weirton Steel Company, Dept. U-2, Weirton, West Virginia.*



**WEIRTON STEEL  
COMPANY**

**WEIRTON, WEST VIRGINIA**

a division of

**NATIONAL STEEL CORPORATION**

# In Marketing

• • •

## Unfulfilled Guarantee or Contract Is Customer's Biggest Gripe

"An unhappy customer is a dangerous customer." So says the Better Business Bureau of Pittsburgh, Inc. It has come up with some statistics to show what customers are unhappy about.

The bureau compared the validated customer complaints in its district for the first half of 1959 with the complaints in the same 1958 period. This year there were 4,454 such complaints, against 3,625 the year before.

Over-all the home improvement field fared the worst, with furniture and floor coverings second. Apparel registered the biggest percentage increase in complaints—up 51%. Only photography and appliance sales and services showed a percentage drop.

Defective merchandise stood only No. 6 among causes for dissatisfaction, although the number of such complaints jumped 33.5%. In fact, in home improvement, TV radio sales and service, automotive equipment and service, and apparel, defective merchandise brought fewer squawks this year than last.

The biggest trouble spot proved to be "guarantee or contract not fulfilled," with 1,024 complaints. "Promised adjustment not fulfilled" ranked second, with "unsatisfactory installation or service" third. "Advertised misrepresentation," though low in number, ranked second in percent of increase in complaints.

The Pittsburgh bureau reported that similar BBB studies are going on in 36 other cities.

• • •

## Bantob Files \$25-Million in Suits, Charging Foul by Tobacco Industry

Bantob Products Corp. claims it has run into foul play in its attempts to introduce its tobaccoless smoke, Vanguard, in the metropolitan New York market (BW—Jul.11'59,p57). To back up its claim, Bantob has filed \$25-million worth of suits against tobacco interests.

Bantob seeks \$15-million in damages in an antitrust suit against the country's five biggest tobacco companies. It charges that these companies induced publication of a damaging editorial in a trade paper, threatened to withhold business from its suppliers, and threatened to withhold advertising from major newspapers and radio and TV stations that accepted Vanguard advertising.

"The charges are completely unfounded," says American Tobacco Co. Several of the media deny that their rejection of Vanguard advertising was due to coercion.

They say they turned down the ads because of objectionable claims in the copy. One of Vanguard's advertising slogans proclaims: "Now smoke without fear!"

Bantob is also suing a tobacco trade paper, the Tobacco Leaf, for \$10-million. It claims that an editorial warning the industry of the threat of a synthetic cigarette,

unnamed, amounts to interference in business relations. One passage to which Bantob objects urges that "economic pressure" be applied to "suppliers to the industry and to those engaged in the distribution, marketing, sale, and promotion of the industry's products."

"Immediately following publication of this editorial," says Bantob, "numerous suppliers, dealers, and distributors canceled firm oral and written sales and purchase orders."

In commenting on the suit, Publisher Thomas F. Sullivan denied the editorial caused injury. "With the big tobacco companies," he said, "you don't have to incite them—you don't have to tell them what to do."

• • •

## Effectiveness of Magazine, TV Ads Measured in Publishers Survey

Magazine publishers got a preview this week of a \$300,000 study to determine consumer purchasing habits for household goods in relation to (1) exposure to magazines and (2) viewing hours of both night and daytime television. The study was sponsored by the Magazine Advertising Bureau of the Magazine Publishers Assn.

In general, the findings showed that the more magazines a family reads, the more it buys of any one commodity. Full details of the survey will be published soon.

MAB officials say the purpose of the study was to find out just what effect TV and magazines have on buying habits. They insist it wasn't undertaken as another round in the magazine-TV battle for advertising.

The study was conducted by Market Research Corp. of America, which used its panel of 4,500 families. The families kept diaries on their purchases during a six-week period earlier this year, along with the magazines opened during each week and the hours spent watching TV. The study questions supplemented the continuous panel research of purchasing habits by MRCA.

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## Sales of Both Hard and Soft Goods Are Expected to Increase in 1960

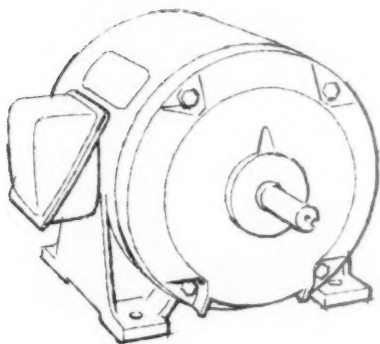
Increased sales in 1960 for both consumer durables and nondurables were predicted this week at the American Management Assn.'s annual sales forecasting conference in New York.

Thomas O. Boucher, Johnson & Johnson executive, said his company figures department store sales will rise about 4%, reflecting increased volume of 2%-3% and higher prices. He cautioned, however, that even though retail volume of non-durables climbs, production may decline because of inventory adjustment. He foresaw apparel volume rising 5% at retail but production off 9%.

Fred F. Hoyt, Carrier Corp. vice-president, looked for gains in most durables, but a decline to 1.2-million units in housing. Auto sales, he said, might hit 7-million. He cautioned that durable sales, until the mid-1960s, will be held back by a lack of strong growth in the 20-44 male age groups.



William R. Clements, Director—Co-founder of Master Electric Division—and Edward E. Helm, President, Reliance Electric and Engineering Company.



*"this is the new  
Duty Master A-c. Motor..."*

product of the combined engineering and manufacturing resources of two fine companies. It is completely new from core to cover. Its qualities of built-in protection and overall creative engineering makes it the finest line of motors ever built, from protected, open to totally-enclosed, explosion-proof. Our people are ready to give you the complete story. Sizes, 1 through 250 hp. are *in stock* at our distribution centers from coast to coast, ready to be delivered to your plant NOW." *Edward E. Helm*

*William R. Clements*

**RELIANCE : MASTER**

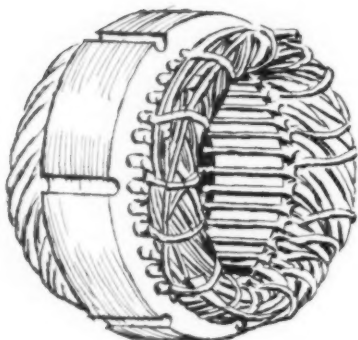
ELECTRIC AND ENGINEERING COMPANY

ELECTRIC COMPANY DIVISION

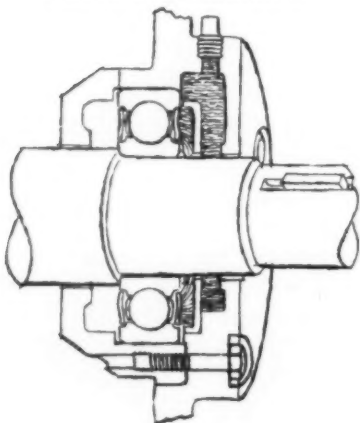


Earl C. Barnes, Chief Engineer

*"the practical advantage of Duty Master is built-in protection."*



PROTECTED WINDINGS



METERMATIC LUBRICATION

"The first important factor here is insulation. Using the latest and most effective materials, the complete, tightly-wound stator resists water, acid, dirt and other contaminating elements. Pre-heated dry windings are thoroughly impregnated with multiple dips and bakes in thermosetting varnish . . . and further protected with a finishing enamel. This adds years to motor life under critical environmental conditions.

"Secondly, Reliance's exclusive 'Metermatic' lubrication system regulates the flow of grease to the bearing as well as providing automatic grease relief. The pre-lubricated bearings have an extra large grease reservoir—eliminating many maintenance headaches. There's never any danger of under or over-lubrication.

"These features, and many others, accomplish a major objective in creative engineering and design—to give a-c. motor users the best value in industry today." *Earl C. Barnes*

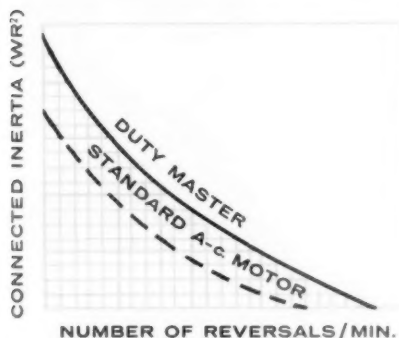
**RELIANCE**  **Duty Master**  
**A-C. MOTOR**



Dr. C. G. Veinott, Chief A-c. Design Engineer

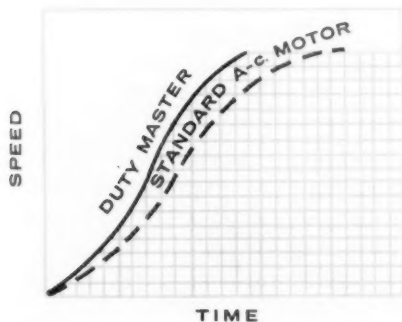
*“Duty Master’s superior performance is the result of digital computer analysis.”*

#### REVERSAL



“Over 3000 designs were programmed and tested on these computers, leading to the evolution of the final electrical designs. The result of this intensive program is an extremely efficient a-c. machine. Electrical losses have been reduced to a new low point. We have taken advantage of new materials and techniques to develop a truly *new* motor, not just a face lifting.

#### ACCELERATION



“Typical of the many results of this design effort is the low inertia rotor with much improved starting, stopping and reversing characteristics. This new rotor, combined with better ventilation and increased accelerating torques permits frequent starts and stops without overheating. And this is only *one* specific example of design improvement. The new Duty Master incorporates *many* such improvements, more than meeting NEMA motor standards, making it the best all around motor available.” Dr. C. G. Veinott

**RELIANCE**  **Duty Master**  
**A-C. MOTOR**



John Walker, Manufacturing Manager

*"the modern equipment—  
ment that produces  
Duty Master  
translates itself  
quickly into  
what a customer  
wants in a motor."*

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**REEVES**



## RESEARCH

# Where Soviet Moonshot Leads

**It turned up four major scientific facts that aid space exploration and support theories of U.S.' Harold Urey (right).**

Four facts of major scientific import—throwing new light not only on the moon but on the earth itself, and building a firmer basis for future space exploration—have already emerged from the findings of last month's successful Soviet moon strike.

Since not all the data have been processed yet, there's a good possibility that further important facts may still be revealed. But just on the basis of what has already been discovered, the firing is certain to be recorded as one of the greatest of research "coups."

The results point the way, according to Nobel prize winner Dr. Harold C. Urey (pictures), to a better knowledge of the composition of space—and incidentally, vindicate theories he has advanced about the moon's surface and how the moon came to be.

• **What It Showed**—As a result of the shot, scientists now know that:

- There is no magnetic field around the moon. Whether or not such a magnetic field existed had been a subject of lively speculation and controversy among scientists. One reason for the lively interest in the question was its bearing on a long-held theory that the earth's own magnetism is caused by its hot molten core. If the moon had magnetism, too, this theory would go out the window—because the moon is cold, and has no hot inner core.

- There is no band of cosmic radiation surrounding the moon. This has great importance for future spacemen, for the presence of any such band (similar to the Van Allen radiation bands surrounding the earth) would make manned moon exploration extremely difficult. From the scientific angle, existence of such a band would mean the moon had some attractive force of its own, able to capture radiation from the sun and hold it.

- There is no atmosphere to speak of around the surface of the moon itself. This confirms what scientists expected—and the fact that they guessed right on this point indicates their other reasoning about the moon may be on the right track, too.

- The moon possesses, on its surface at least, relatively little radioactive rock. This is perhaps the most important discovery of all. And it's this finding that bears out theories advanced by Dr. Urey, who is better known for



"It's more dangerous," says Nobel prize winner Harold C. Urey, "to cross the street here than it will be to go to the moon, as far as meteoric danger is concerned . . .

" . . . but there is evidence, from photos of carbon-like deposits inside some of these craters on the moon, that some turbulence may still be present on the moon's surface."

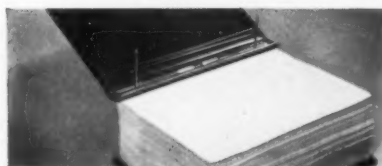


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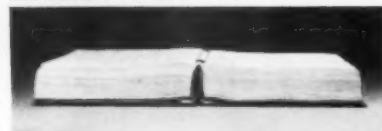
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his contributions to fusion research and the H-bomb. Urey, formerly of the University of Chicago and now at Scripps Institute of Oceanography in California, feels that the Russian findings are "at least consistent" with his theories about the moon's surface and its origin, if they do not prove his views "uniquely correct."

• **Easier Moon Travel**—What the Russian data indicate—as described by Prof. Dobronravov of the Soviet Academy of Sciences—is this: The amount of radioactivity on the surface of the moon is much lower than on the earth. This probably means that the moon's surface is not so highly differentiated as the earth's—that, unlike the earth's surface, its entire composition is like that of stone meteorites. This, in turn, provides additional proof that the moon was never molten like the earth. And it helps to knock down the old idea that the earth and the moon were formed at the same time and in about the same way, or were even one body which split up.

It will make life easier for future moon travelers though. They will be landing on a reasonably solid material. The problem of a return take-off won't be serious. And the instrument recordings they take on the moon—of everything from the moon's own make-up and the earth's movements to changes in spatial atmosphere due to solar activity—will be reliable and fairly easy to translate.

• **What Space Is Like**—Travelers bound for way stations beyond the moon will benefit from another of the findings. Because there is no lunar atmosphere, scientists can assume that conditions near the moon are pretty much what they will encounter in space, on trips to Mars, Venus, and other planets.

This means, according to Urey, that scientists "will be able to get some definitive answers... now... to many of the questions they have been asking about the composition of space."

The Russians not only measured the amount of cosmic radiation as their rocket passed through space on the way to the moon, but they took counts of the flow of helium nuclei, carbon nuclei, nitrogen and oxygen atoms, and other heavier gaseous particles encountered.

The intensity of ionized gas particles was measured simultaneously in four traps on the rocket surface. Along most of the trip the count was less than a hundred particles per cubic centimeter. This count stepped up sharply when the rocket came within 6,000 miles of the moon. The Russians think this was because it was running through small pockets of ionized gases.

Existence of these pockets (as scientists had speculated) confirms the idea that space is not a homogeneous near-



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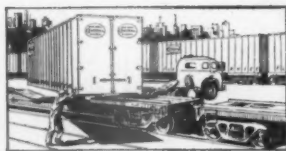
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• **Moon Landings**—The fact that the moon was never hot and subject to volcanic eruptions means a lot to future moon explorers from the angle of safety. But scientists will have to find out more about its actual topography before trying to pick the best landing spot for a manned lunar ship. For one thing, they'll have to study carefully the question of possible surface holes where explorers might be trapped.

At the moment, it seems that the predictions of radio astronomers—that the moon seems to have no surface holes with slopes of more than 12 degrees—may be quite precise. Even heavily garbed in bulky space suits, men on the first manned space trips should be able to negotiate such slopes with ease.

But it will be necessary to try for precise maps to confirm this theory by sending a rocket, with a TV camera aboard, past the moon or into orbit around it.

Urey feels U.S. astronomers could manage the picture-taking easily—if they could just get a camera up there.

• **Next Move**—For the next moon rockets, scientists have lined up an impressive list of research jobs. They want to know a lot more, for example, about the mysterious pockmarks—or large craters—that pit the moon's visible surface.

It's Urey's opinion that these marks must have been caused mainly by meteorites or by some other force hitting the moon from outside. This theory was first expounded by G. K. Gilbert in 1893; but Urey has his own ideas about it.

No other force, he argues, could create such pits, covering large areas. It would take the force of several atom bombs to duplicate these craters.

There is evidence in some photographs of carbon-like deposits around the inside of some of the moon's craters, as though something like a hot spring had at some time blown out and deposited the carbon—"something like Glacier National Park in a vacuum," Urey muses.

But Urey maintains that most activity on the moon's surface has undoubtedly stopped. From time to time amateur astronomers claim to see new craters or other surface changes, but their claims are never sustained. "As far as meteoric danger now is concerned," says Urey, "it is more dangerous to cross the street at Scripps than to go to the moon." As for any erosion damage to space ships, "your car erodes from weather more quickly."

Here, too, the findings of the Russian moon rocket confirm his beliefs.

• **Back to the Beginning**—Most U.S. scientists think there's no chance of

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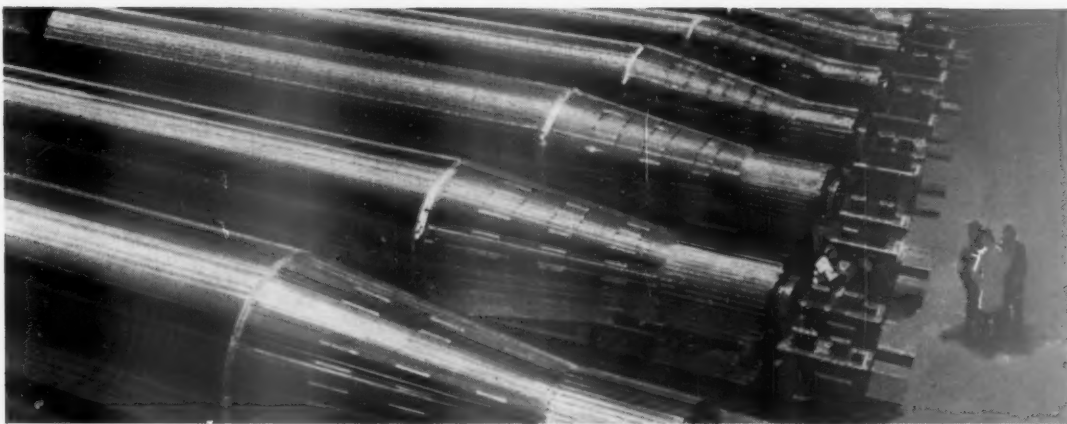


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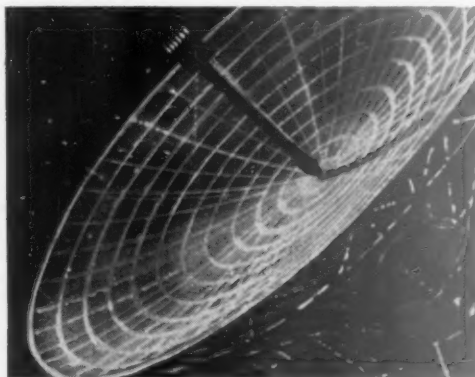
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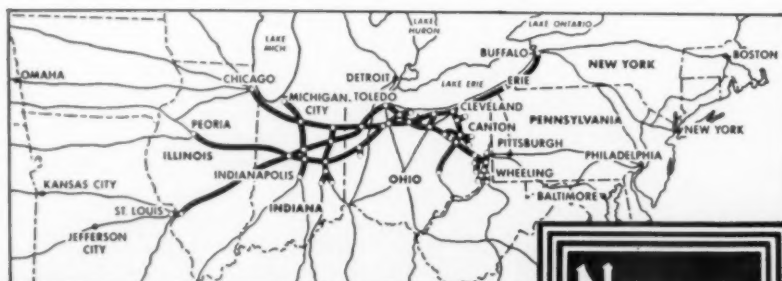
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*... until samples of the moon have been brought back, there will always be doubt as to its elements...*

(STORY on page 79)

learning much from the Russian data about the formation of the moon and the earth. It will probably take a manned flight—or at least a whole series of unmanned instrument landings on the moon—to gather enough data to support one theory or another on this score.

There's little doubt, however, that scientists are nearing the time when they will get the best lead they will ever have on the earth's beginnings. The moon is the oldest celestial body that may ever be accessible to humans—so its possibilities as a natural research laboratory may never be duplicated. That's the reason for the great concern—expressed by the U.S. to the Soviets last year—about insuring sterilization of all moon rockets, to prevent introduction of earth organisms to the moon before it can be studied. Whether man ever learns the true story of the creation of the universe may literally depend on how well the Russians managed this.

• **Urey's Theory**—Urey's own theory as to what scientists will eventually discover about the moon's origin runs something like this. Some four and a half billion years ago there was the sun with a flat disk of dust and gases swirling around it. These dust particles eventually settled into numerous bodies, including dozens of bodies like the moon and—some hundreds of millions of years later—the earth. Out of cold dust-formed bodies, the moon, survived by accident—and in the elimination process got its surface pitted by something (or a number of things) smashing up against it.

Urey elaborated on this theory at a meeting of the English Chemical Society in March, 1958.

• **Tipoff**—Until actual samples of the moon's surface have been brought back to earth and analyzed, there will always be some doubt as to the elements making it up. But Urey thinks he may already have the tipoff—in the so-called chondritic meteorites which have landed on the earth. These, he finds, have appreciably less radioactivity than materials found on the earth's surface.

Urey believes these meteorites and the moon were formed at the same time. If exact figures on radioactivity at the moon's surface match up with the meteorites, U.S. scientists would have a good clue to much of the additional information they'll need to make manned moon landings possible. **END**

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# Real Hope for Truce in Algeria



**HARD-HITTING FRENCH COLUMNS** keep heavy pressure on the Algerian rebels, inflicting severe losses. But they cannot stamp out resistance in the mountains.

**The rebels set many conditions but do not reject de Gaulle's offer. Circumstances are pushing the sides closer together.**

For the first time since fighting broke out five years ago, France's grueling war in Algeria seems to be heading toward a truce.

In recent weeks, the French and the Algerian rebels—under heavy international pressure to end their bitter conflict—have moved toward a settlement. Important differences still exist between the two camps. Despite new peace proposals, the terrorism and fighting (picture) aren't likely to stop overnight. But each side—Pres. de Gaulle's government in Paris and FLN (National Liberation Front) headquarters in Tunis—has backed down enough to make a truce seem really possible.

The nationalist rebellion in Algeria has been the worst problem facing France since 1954. The loss of Indo-China that year was, of course, a severe blow to French prestige. But the Algerian conflict, much closer to home, has involved the French nation far more directly. It has cost an enormous amount, in casualties, money spent, and even national morale.

• **Repercussions**—Last year the Algerian crisis forced the collapse of France's postwar Fourth Republic. And, at times, it has even marred France's relations with its allies—particularly the U.S.

When Gen. de Gaulle emerged from retirement 17 months ago to become President of the Fifth Republic, his main goal was settlement of the Algerian war—a task that had foiled many governments under the Fourth Republic. Soon after taking office, he launched a series of minor economic and political reforms for Algeria. De Gaulle seemed to be laying the groundwork for a broader solution.

Two weeks ago the break came. In a dramatic radio and TV broadcast, de Gaulle proclaimed Algeria's right of "self-determination." For Algeria's 9-million Moslems and 1-million French settlers, he offered three alternatives—complete integration with France, full independence (what he called "secession"), or a "federal" type of government within the French Community.

De Gaulle clearly favored the latter. But he left the choice to Algerians. Under his plan, they could choose their future path in a referendum to be held after token signs of a cease-fire.

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PRES. DE GAULLE is betting his immense prestige will win gamble in Algeria.

offer, de Gaulle is risking a major political crisis. For one thing, rebellious French army officers and civilian leaders toppled the Fourth Republic in 1958 when they thought that Paris was seeking a deal with the FLN. For another, under the peace plan, Algeria could win complete independence from France—just as Indo-China, Morocco, and Tunisia did. That in itself would have the makings of a political explosion in France. Yet de Gaulle evidently realizes he must run this risk. Otherwise, the Fifth Republic would have to continue the financial and political burden of a war with no end in sight.

De Gaulle's move has put FLN leaders on the defensive. He immediately received solid backing from Washington and other Western capitals. In one swoop, the peace plan wrecked the FLN's hopes of gaining widespread support in the upcoming debate on Algeria in the United Nations. Even Tunisia and Morocco, staunch FLN supporters, this time urged the Algerian nationalists to take a long look at de Gaulle's offer.

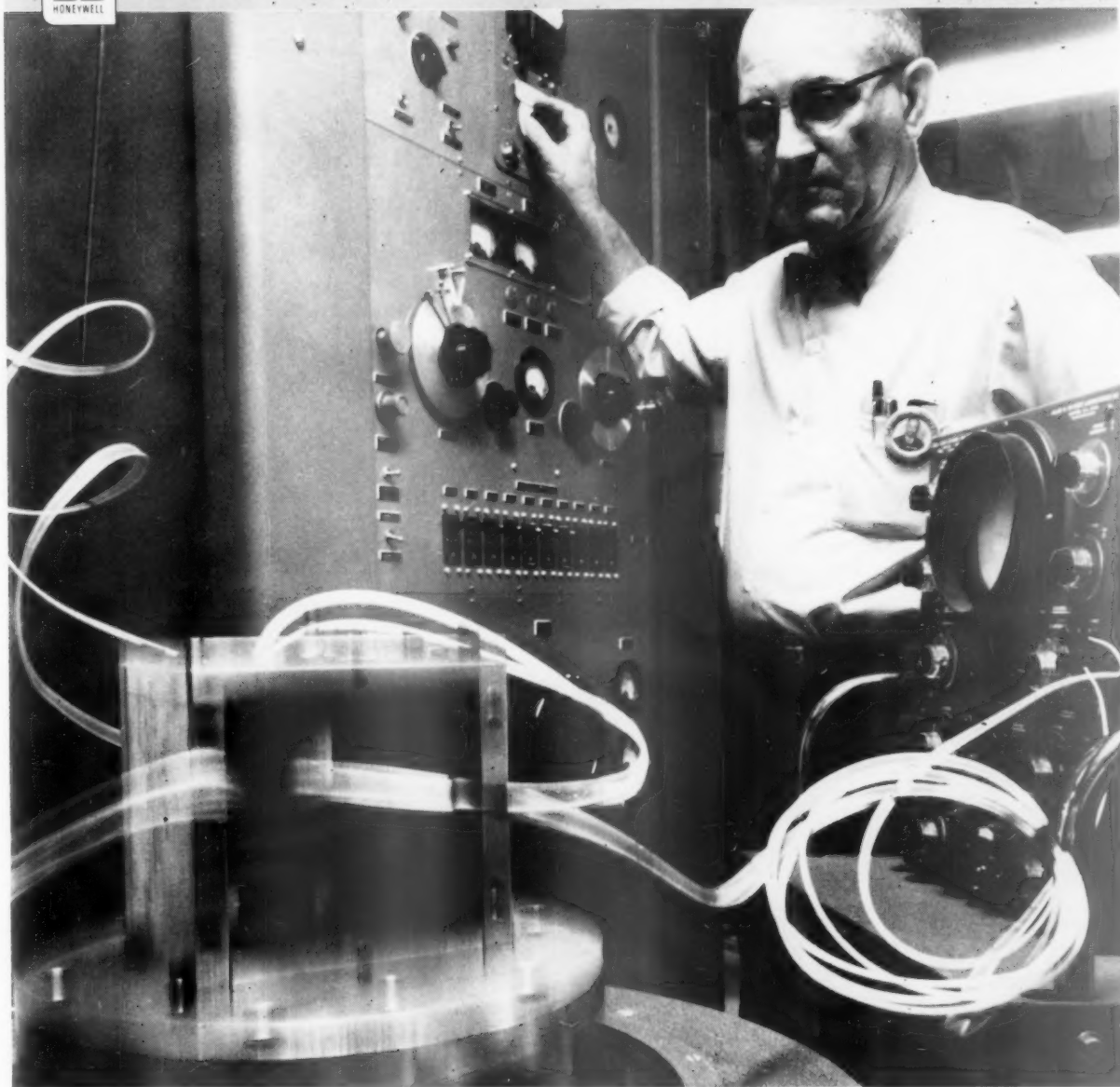
• **Hedged Reply**—They did. Early this week, after nearly two weeks' deliberation, the FLN gave its answer. It accepted most of de Gaulle's plan. But, said the reply, Paris would have to recognize the FLN as the legitimate spokesman for Algerian nationalism—which de Gaulle has refused to do.

Obviously, it's too early to tell what type of solution, if any, will come out of these maneuvers between de Gaulle and the FLN. Both sides will have to make additional concessions before reaching even a cease-fire. Yet many observers say that both sides have been forced into a situation favoring a compromise.

FLN leaders, for instance, no longer



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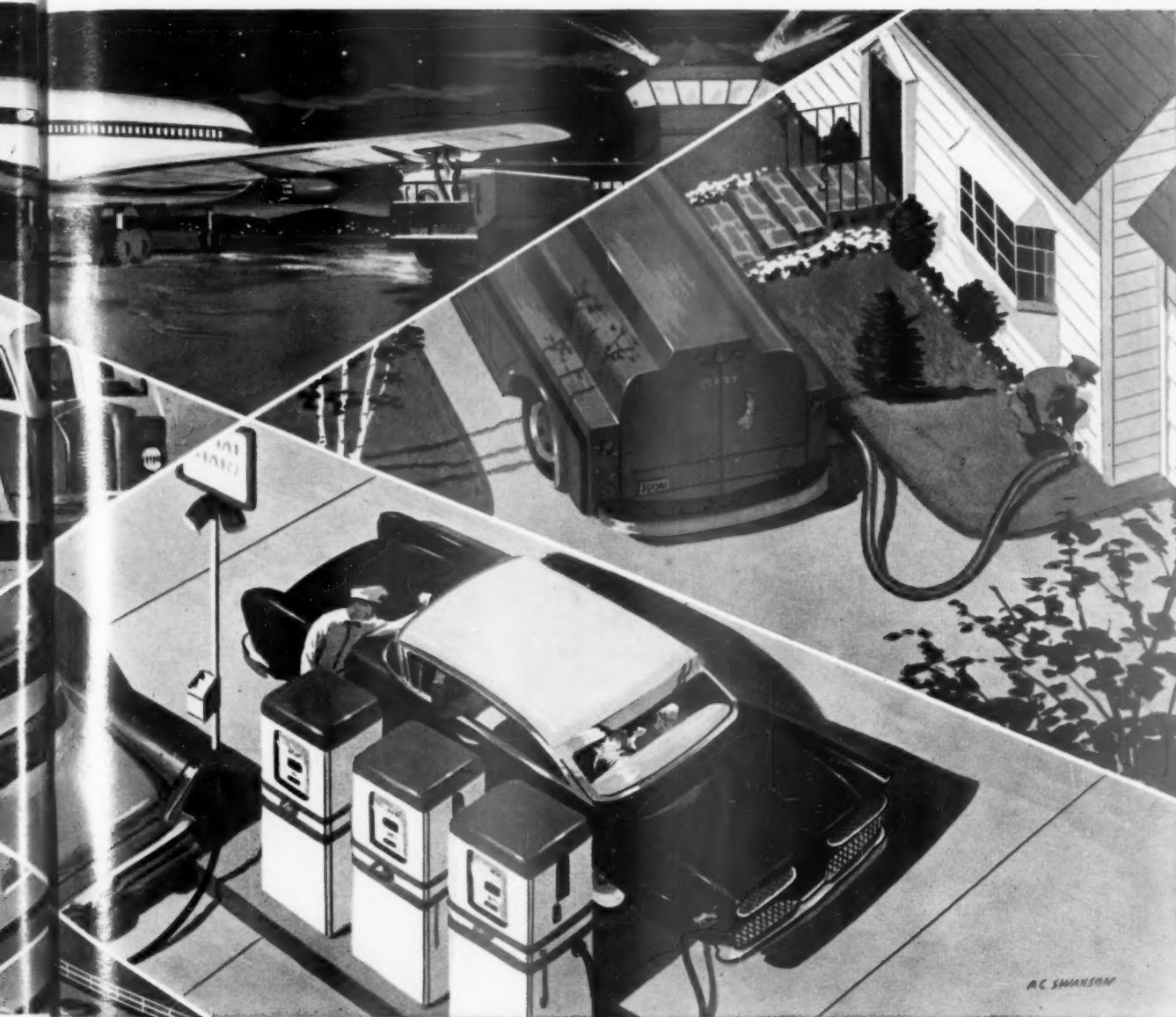
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will find much sympathy for the claim that they are fighting for Algeria's right to independence. This right, never before admitted by France, is now recognized by the de Gaulle government.

Thus—as some observers see it—both sides are no longer so far apart in their aims. What's involved at this stage is mostly negotiation of the methods for fulfilling these goals. That's evident in the way the FLN is haggling over the timing and conditions for an Algerian referendum.

## I. A String to the Sahara

De Gaulle's peace plan is, in any case, a big gamble. By offering a referendum, he is boldly betting that a majority of the Moslems and French settlers will vote for continuing Algeria's ties with France. A year ago, in the referendum setting up the Fifth Republic's constitution, de Gaulle played the same game with France's 12 African territories. To vote against the constitution—he warned—would mean automatic independence from France. In this gamble, he won over every territory except French Guinea.

In Algeria, de Gaulle understandably is hedging his bet. Five years of warfare have fanned nationalist tempers to a high pitch. More important, the economic and political stakes there are too big for France to lose its grip on Algeria entirely.

For one thing, there are the Sahara oil fields—already starting to produce on a large scale. In less than a decade, these fields will provide France with all the oil it needs. This will eliminate French dependence on Middle East crude. An independent Algeria, however, probably would jeopardize French control over Saharan oil. It would also present U.S. and other foreign oil companies, now working with the French in the Sahara, with some sticky diplomatic problems.

• **Natural Gas**—Besides oil, France is just beginning to tap vast natural gas deposits in the Sahara. At Hassi R'Mel is what is considered one of the world's largest gas reserves. Beyond that, France has invested huge sums in building installations in the western part of the Sahara for its forthcoming atomic bomb tests.

On the political side, there's the fact that the Algerian problem has dominated French domestic politics for years. If de Gaulle's present policy should lead to Algerian independence, there could be another political free-for-all in France.

With issues like these at stake, de Gaulle has had to tack several key hedges to his offer of self-determination for Algeria. He has warned that if Algeria plumps for independence, France intends to keep its grip on the Saharan oil fields. He also hinted that

France, in this case, might carve out a slice of Algeria as an enclave for those Algerians—Moslems and Europeans—who want to stick with France.

## II. Something for Everybody

These hedges admittedly take some of the luster off de Gaulle's shining concessions to Algeria. They give FLN leaders ample arguments against his peace plan. But without such conditions, as well as his flat refusal to talk directly with the FLN, de Gaulle could not have won the French army's backing for his Algerian policy.

At midweek the big debate in Paris was whether de Gaulle has any room left for maneuver in reaching a settlement. He has gone further than any previous French leader in meeting the FLN's demands. Some influential politicians in Algiers and Paris, banking on the army's support, already are insisting that de Gaulle has gone too far. They say he should not give another inch to the FLN. Army officers so far are backing de Gaulle's plan. But they, too, could cause trouble if de Gaulle is forced to make additional concessions.

• **Regime at Stake**—In a very real sense, the biggest stake in Algeria today is the de Gaulle regime itself. Frenchmen called the general out of retirement last year because they felt he was the only person capable of solving the Algerian crisis—without tearing apart France politically. De Gaulle has had considerable success with other French problems such as strengthening its economy. Even so—as Paris observers note—he still has to prove he can accomplish the Algerian feat. Until he does, critics can claim that he is as powerless on Algeria as were his Fourth Republic predecessors.

De Gaulle is well aware of such criticism. Moreover, his desire to see France throw more weight in European and NATO circles is continually frustrated by the lingering colonial war in Algeria. De Gaulle reportedly was miffed when journalists considered Algeria—and not NATO affairs—to be the most important topic in his recent talks with Pres. Eisenhower in Paris.

• **Cost of War**—The cost of the Algerian war—estimated at nearly \$500-million annually—prevents de Gaulle from financing various projects he considers vital for France's prestige. Without the Algerian drain, France undoubtedly could spend more to develop nuclear weapons. De Gaulle also would like to beef up lagging French investment in all types of scientific research.

Impatient to move ahead in these and other fields, de Gaulle has decided that the time has arrived to risk his prestige in trying to break the Algerian stalemate. **END**

# In Business Abroad

• • •

## Cuba's Surtax on Foreign Exchange Will Hurt Exporters in U.S.

Premier Fidel Castro has been forced to face up to Cuba's growing foreign exchange deficit—but his actions will hurt U.S. exporters.

Castro last week announced new surtaxes on foreign exchange designed to protect Cuba's dwindling reserves. Exchange earnings have slumped since the Castro revolution because sugar prices have been low, tourists have stayed away, and foreign investors have been frightened by such decrees as the Agrarian Reform Law.

The new tax, levied on applications for dollars to import goods, will range from 30% to 100%. It's intended to cut down on imports of luxury items and non-necessities. Taxed items are divided into five categories. Fruits and vegetables, for example, are included in the first category which takes a 30% tax, while U.S. autos fall in the fifth—or luxury—category requiring a 100% tax.

The new surtaxes will be imposed on top of regular custom duties and other fees until June 30, 1960. Merchants are prohibited from passing on the tax to consumers, so that growing shortages of imported goods are expected. As Cuba's chief supplier of goods, the U.S. will be hurt the most by the new restrictions.

In another move to tide it over its financial troubles, the Castro government has quietly arranged a \$60-million credit from a group of West European exporters through the Continental Import & Export Co. of Amsterdam. Loan terms provide for industrial purchases from Western Europe for a one-year period. Continental is a small Dutch company that has arranged similar loans for other Latin American countries.

• • •

## B-School for Europe-Minded Executives Opens in Chateau of Fontainebleau

The Chateau at Fontainebleau—where French kings once lived—is the home of a new graduate business school that began classes last month.

Despite its unbusinesslike surroundings, the school—Institute Européen d'Administration des Affaires (known as INSEAD)—has a serious long-term objective: training a new breed of businessman to run Europe-wide operations. With the Common Market speeding European integration, INSEAD aims to prepare executives to fit into Western Europe's new-style economy. In line with this goal, INSEAD's first class of 75 students was drawn from 15 countries—including four from the U.S.

Originally the brainchild of Harvard's Prof. George F. Doriot, the school uses the case method and is receiving help from Harvard Business School. Courses are given in French, German, and English; all students must have a mastery of at least two of the languages. INSEAD, now supported by the Paris Chamber of Commerce, is seeking

additional backing from Europe's leading companies. It eventually hopes to have an enrollment of about 400.

The Fontainebleau school joins a number of other business schools started in Europe since World War II. Harvard helped found a business school at Lille (BW-Dec. 1 '56, p91), while the French Manufacturers Assn. has a school near Paris. Nestle and Aluminium, Ltd., run schools at Lausanne and Geneva, respectively; Fiat, Olivetti, and Unione Industriale support a business school at Turin.

• • •

## Industrial Goods and Consumer Durables Boost France's Rating as Exporter

Traditionally, France's chief exports have been fine wines and luxury items. But in the last 18 months, French industry has become a big exporter of industrial goods and consumer durables—especially to the U.S.

France has climbed from 16th place in 1955 to 11th last year in volume of exports to the U.S. With the Renault Dauphine leading the way, France raised its exports to the U.S. to \$300-million in 1958; autos, steel, chemicals, aluminum, and glass accounted for much of the gain. By pushing these and other industrial products, France is aiming for an even bigger share of U.S. imports. New items to be offered include tires, industrial and military electronic equipment, small refrigerators, and special machinery.

French auto makers—who have already earned \$78.8-million in foreign exchange for France in the first half 1959—hope to keep expanding sales by heavy advertising. Smaller French companies are surveying the U.S. market for the first time to search out likely export targets.

• • •

## Brazil Credits Its Aggressive Policy For 17-Nation Coffee Marketing Pact

Brazil is hailing the 17-nation coffee marketing agreement signed in Washington last week as a major victory for its aggressive coffee policy.

Under the pact, producing countries will limit their exports to 90% of their best previous export year or 88% of current exportable production. All the major producing areas except British Africa and the Belgian Congo have been corraled into the quota agreement. And British officials have hinted at informal cooperation.

Rio believes that France and Portugal joined the pact as a direct result of Brazil's coffee-selling program that saw lower-grade coffee dumped at prices below African quotes. African producers had previously balked at export quotas because they were able to undersell their Latin American rivals.

Brazilian coffee officials were satisfied with their quota of 17.4-million bags. They hope to expand barter deals with the Soviet-bloc countries (BW-Sep. 5 '59, p72) that are outside the new agreement. Brazil already has a carryover of some 24-million bags that is likely to grow even larger next year when another big coffee crop is harvested.

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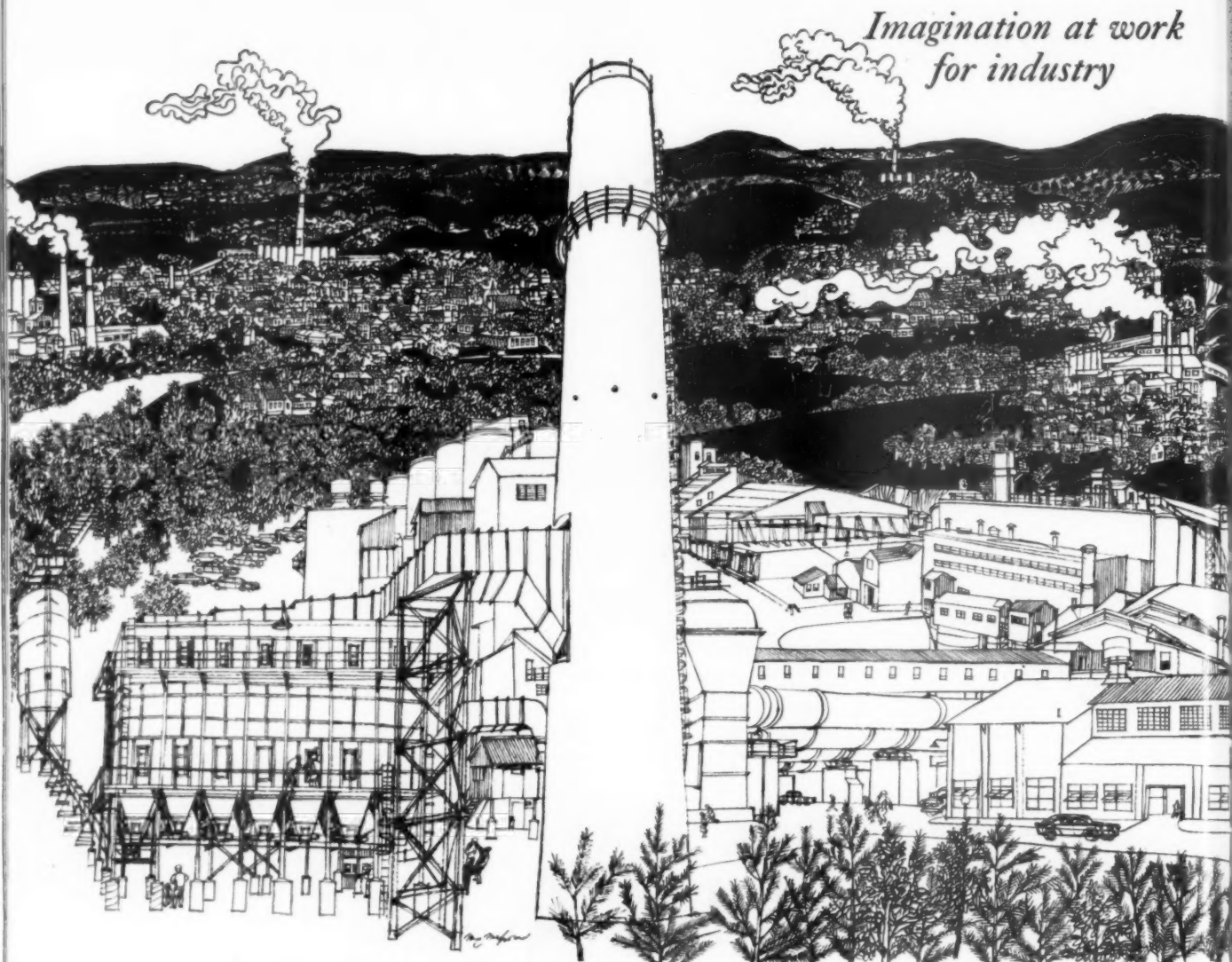
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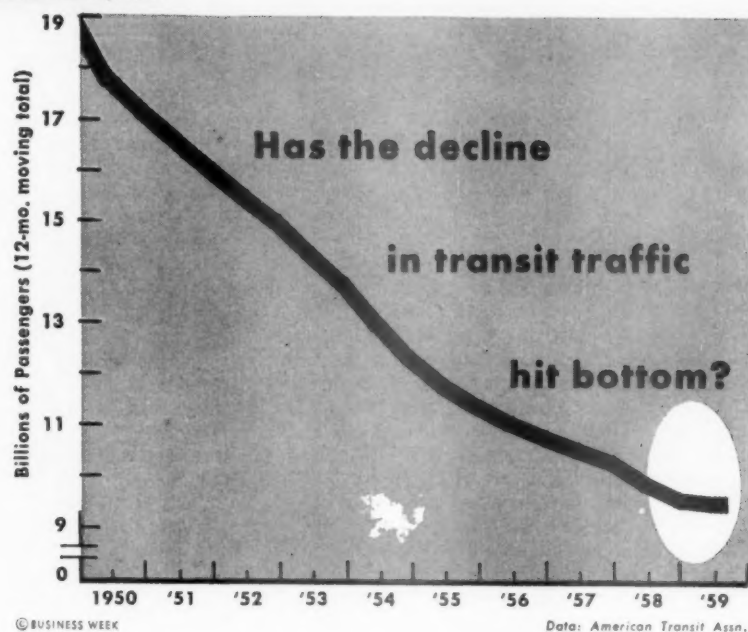
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Offices in principal cities

## REGIONS



## A Halt to the Long Slide

Transit companies believe the decline in patronage is over. They're banking on population growth and auto congestion in cities to send them more passengers.

The chart above tells the sad story of the declining use of transit systems in U.S. cities. For years, the chart's downward curve has cast a cloud over the industry whose fortunes it reflects. But at their annual convention last week in Minneapolis, members of the American Transit Assn. found reasons to cheer.

The part of the curve that elated them was its flat ending. It held out the hope that at last the number of people using streetcars, subways, trolley coaches, and motor buses is no longer waning. In fact, many representatives of the 1,300 public and privately owned systems—which grossed over \$1.3-billion in 1958—predicted a slight improvement in transit patronage.

• **Implication**—Looked at in perspective, the flattening curve supports this optimism. Last year was a money-loser. The recession meant fewer people riding to work, fewer women riding to shop. Translated into dollars, this decline in passengers spelled deficits for many a company—despite higher fares, tax and fee relief from city and state governments, and reduced operating schedules.

By contrast, patronage has increased in the last few months, except in areas affected by the steel strike. From these gains, transit men draw one implication: The long slide is over. Tran-

sit riding, they feel, now is down to the core of people who must, or want to, use public transportation. From here on—even if better transit service doesn't boost their business—population increases and auto congestion should.

• **The Culprit**—The decline of intracity public transportation goes back to the late 1940s, when Detroit began to catch up with the pent-up demand for autos caused by the war.

Even though the population of the country as a whole has increased 15% since 1950—and the population of metropolitan areas has grown even more—transit traffic during this period has been cut almost in half. During the same period, car registrations soared 39%.

Economists can prove that the auto is uneconomical in a metropolitan area, but their logic falls on deaf ears. Americans prefer the convenience of their own cars—whatever the cost. But even transit men concede that it isn't fair to put all the blame on the family car. Their industry has been slow to improve service and quick to raise fares or ask government help, they admit. "We have been getting more and more," said one ATA delegate, "for less and less."

• **Suburbs Suffer**—Service in older, congested parts of many cities has been maintained—often with old equipment—but the industry has been slow to

follow the masses to the suburbs. Even where cities provide express service from suburb to downtown, service from one suburb to another frequently is neglected. So, the family wage-earner has little choice save to drive to his factory or office, which more and more tend to be located on fringes of cities. Women, too, find it more convenient to drive to shopping centers.

To make up for this declining patronage, the transit companies have been raising fares. This, of course, discourages even more people from using transit—although transit companies insist that eventually they win back many of them.

### I. The Comeback

When their passengers began to slip away, many transit companies went into action to arrest the drop. They employed everything from motivation research to new routes provided by the federal highway program, and now credit their efforts for at least part of the pick up.

In the dark days, the industry set its sights on two targets: rush-hour riders, and non-rush-hour traffic, day and night, on weekdays as well as weekends.

To keep the commuters' trade and to drum up business at other times, the industry has tried to improve transit speed, convenience, and "social acceptance." The picture is a spotty one. In some places, however, rush-hour business has gone up.

• **Steps**—Transit speed-up has been achieved by several means. Motor buses have replaced elevated trains, trolley coaches, and streetcars. Express buslines use new expressways and "reserved" lanes on downtown streets. Chicago's rapid transit line was routed down the center strip of the Congress Street Expressway, cutting running times as much as 30% by taking advantage of a road built under the federal highway program.

For convenience, some cities are providing parking places at transit stops in the suburbs. Some are operating air-conditioned buses. Others have "club buses" on which passengers pay premium fares for reserved seats.

Some cities appeal to people's vanity by trying to make transit "socially acceptable." In some instances, the companies simply make a play on words. In one case, they upgraded "bus riders" to "express riders." In San Francisco, the municipal railway appealed to commuters to let their wives have the car all day and, simultaneously, reduce downtown traffic congestion. This was done in a "kiss and ride" campaign.

Developing off-hour business requires even more ingenuity. Some lines offer shoppers' specials at reduced fares. St.

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**. . . Fares have reached the limit that passengers will pay; so transit lines must look elsewhere for relief . . .**

(STORY on page 99)

Louis introduced opera and baseball specials, and foliage excursions for autumn Sundays.

## II. Fares Climb

While transit companies have been devoting much time to figuring out how to win, or hold, riders, they also have been preoccupied with the problem of how to stay out of the poorhouse.

For years, they have been going after higher fares. Their success here has kept their over-all gross from sinking too much. Since the peak year of 1953, operating revenue has dropped from \$1.5-billion to \$1.3-billion. Last year, 203 lines got increases—a record.

The dime fare, a standard not long ago, now applies in only 4% of U.S. cities. (New Orleans, where transit is operated and subsidized by the electric utility, still has its 7¢ fare, the nation's lowest.) By contrast, 37% of all cities charge a flat 20¢, and 15% charge more—all the way to 30¢ in some Chicago suburbs.

There is some evidence that fares have reached the limit people will pay. In the first eight months of this year, only 67 lines got rate increases. Columbus actually shaved a nickle off its four-ticket rate of 75¢.

Now, faced with both rider resistance and the growing reluctance of city halls to O.K. higher fares, the industry must look elsewhere for relief. In some cities, it has begged successfully for city and state concessions on taxes and fees.

• **Payoff**—These efforts paid off in some cases, but many companies ended 1958 in the red. Of 159 privately owned companies reporting to ATA, 53 had a net deficit totaling \$5.4-million on gross revenues of \$270-million. The other 106 netted \$11.5-million after taxes on a gross of \$388-million. Only 41 of the 1,300-odd transit companies are publicly owned, but they account for 42% of the total revenues.

This year, improved passenger loads have turned red ink into black for some companies, increased net income for others. Transit operators in Cincinnati, Pittsburgh, and Portland (Ore.) report net incomes so far this year, opposed to deficits for the same periods last year. New York's Fifth Avenue Coach Lines was at least able to cut its deficit, if not to wipe it out. And Baltimore, St. Louis, Hartford, and Memphis lines chalked up fatter nets than a year ago.

• **More Needed**—Despite the better earnings picture, delegates at last week's convention agitated for more public assistance. John H. Walsh of Spring-

field, Mass., outgoing ATA president, revived the idea of a city service charge for transit—similar to minimum charges levied by public utilities. The theory here is that smoothly functioning transit is to a city's self interest, and should be supported accordingly. T. R. Ewart, executive director of Dallas' Downtown Property Owners Assn., told delegates that a standby charge of only 50¢ a month would appreciably help a transit company in a city such as Dallas. It would merely put transit in the same position as gas, electric, water, and telephone companies, he said.

## III. Preparing for 1980

Delegates to last week's meeting were put in a good mood by the opening speaker, Dr. Philip M. Hauser of the University of Chicago, who predicted that by 1980 the population of metropolitan areas will reach 165-million. That's almost as great as that of the entire country today.

But since population increases over the past dozen years didn't keep transit traffic from nosediving, why should things change in the future?

Hauser supports the theory that cars in cities will reach a saturation point. He figured that the number of vehicles expected in metropolitan areas by 1980 would require parking space equaling at least half the downtown business districts. He said that cities would have to restrict the inflow and parking of cars, that cars would become "feeder" vehicles for public transit. Decreased use of cars in the central city, he said, should add to the convenience and speed of transit—and make it even more desirable. Some delegates, such as Pres. John C. Baine of St. Louis Public Service Co., saw tangible grounds for optimism in redevelopment programs that are stimulating new interest in doing business downtown. "Our hope," said he, "lies in the betterment of the core."

"It just doesn't make sense to drive a car anymore," says Jack A. Murdie of Utica (N.Y.) Transit Corp. But statistics show that there are more cars than households in the U.S. and the number of cars is still climbing.

Incoming Pres. W. E. P. Duncan of the Toronto Transit Commission urged the industry not to leave its future to chance, but to prepare its facilities now for the population growth and automobile saturation. Other delegates noted that with the exception of Toronto—which is building a new subway line—there is more talk than action on the problems of rapid transit. **END**



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Here, boiling nitric acid is used to evaluate the corrosion resistance of Jessop stainless steel plate.



Checking the grain size of tool steel, this Jessop metallurgist uses a microscope with a camera attachment.

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# New Engineering, Sales Features



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FORD'S FALCON is conventional in design but a masterpiece of engineering to save weight and cost. Ford sees its market place as a second or third car in a household.



GM'S CORVAIR departs furthest from conventional Detroit engineering, with its rear-mounted engine and some related changes in the rear end. GM stresses novelty appeal.

The cards have been laid down on the biggest gamble the three giants of the U.S. auto industry have ever taken simultaneously: the introduction of a new class of smaller car.

General Motors' Corvair went before the public this week at all Chevrolet showrooms. Ford's Falcon comes out next Friday, and Chrysler's Valiant gets into the race near the end of the month, under the colors of selected Plymouth, De Soto, Chrysler and Imperial dealers.

All three cars are much alike in some ways. Compared with the best-selling foreign cars, such as the Volkswagen and the Renault Dauphine, the Big Three's little three are larger, costlier, easier-riding, and higher-powered. They are designed, with strikingly similar dimensions, for six passengers and "enough luggage space for a family weekend trip."

All three are engineered from the ground up as "economy" cars of a new—or reincarnated—breed. They aren't merely shrunk versions of the Chevrolet, Ford, or Plymouth, which are 8 to 10 inches wider, two or three feet longer, and 600 to 1,000 pounds heavier. They all have unit (frameless) bodies, lots of glass front and rear, and automatic transmissions as optional extras.

But there their similarity ends.

### I. Rival Strategies

When the Big Three decided on the gamble, each chose a different marketing strategy, and this divergence in turn determined that the Corvair, Falcon, and Valiant would differ markedly in engineering concept.

- **Corvair**—Chevrolet's Corvair goes the furthest afield. It is probably the most "different" car ever to be mass-produced in the U.S., with a package of five features that have never been offered by Detroit. Three of these concern the engine: It's air-cooled, mounted in the rear of the car, and has an aluminum block.

The other two never-before features are a transmission mounted on the rear axle where the differential is a conventional car (the trade refers to this as a "transaxle") and independent rear suspension with the axle on each side of the transmission free to move up and down with the wheels (a system called a "swing axle").

The Corvair promises both economy and comfort; most people who have seen all three consider it more spartan and utilitarian than the Falcon or the Valiant. Its sales pitch is based largely on its radical (for Detroit) engineering and its novelty value.

"A lot of people could afford to buy a new car but just aren't interested,"

# of the Big Three's Little Three

says Edward N. Cole, GM vice-president and general manager for Chevrolet. "The Corvair is different, and people will buy it just to have something new."

• **Falcon**—At Ford Motor Co., executives are already thinking of the Falcon as a new Model T or Model A—not to put America on the road but rather to put Mama or Junior in a second, or even third, family car.

The Falcon, therefore, is conventional in design, mechanically, and modest in styling, though its de luxe model is more luxuriously trimmed than the Corvair. Engineering effort was concentrated on cutting down weight, to achieve maximum economy, and simplifying design, to reduce manufacturing cost.

• **Valiant**—During the early stages of Chrysler's planning of the Valiant, it was expected that the car would be made in Europe. This assumption accounts for its Continental neatness of design, with an Italian flavor in its styling. Later, when the growth of the U.S. market for economy cars became evident, Chrysler decided to make the Valiant in Detroit. In its market ambitions, Chrysler also went a step further than Ford or GM.

Robert Anderson, Chrysler's director of product planning and cost estimating, says the Valiant is designed as a "prime market" economy car—as the first and perhaps only car for a family. Therefore, it is heavier, higher-powered, faster, and has more luggage space than the Corvair and Falcon.

By yearend, the Valiant will offer the first station wagon among the Big Three's little three, along with options such as power steering and brakes, which neither of the other offers. Yet Chrysler insists that the Valiant will still compare in economy with the Corvair, Falcon, Rambler, and Lark.

• **The Gamble**—As it happens, the gamble on the market is not so daring as conservative auto executives thought it was when they made it. In 1956 and 1957, when the companies decided to go ahead with the smaller cars, the economy market hadn't shown itself. As it turns out, the timing now seems perfect. Detroit expects 750,000 to 1-million Big Three small cars to be sold, along with 500,000 imports and 500,000 to 700,000 Ramblers and Larks.

The Big Three's little three will need to sell in approximately that volume. They share very few parts with their bigger brothers—Chevy, Ford, and Plymouth—which means they have to recover their own engineering and tooling costs. On top of this, profit per car will be less because less extra equipment will be sold (profit on the optional extras of a "loaded" standard car is sometimes as much as that on the basic car, or even more).

The biggest risk is being run by GM, with the radical features of its Corvair. Few Detroit observers expect public feeling about the Corvair to be anything but violent—either the Corvair

will catch on like wildfire or it will be a dismal failure for the world's largest auto division.

## II. Unorthodox Corvair

Chevrolet's Cole caught a touch of rear-engine fever during World War II, when he was an engineer in a GM tank plant in Cleveland. After the war, he eagerly installed a rear engine, for experimental purposes, in place of the back seat of a Cadillac. Ever since then, Cole has been the high priest of the rear-engine cult at GM. Corvair and its innovations are his.



Corvair rear engine

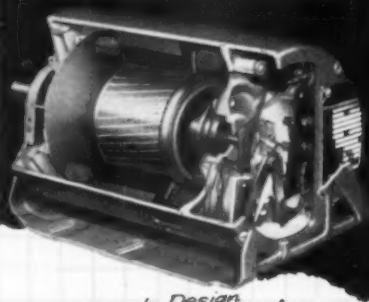
• **The Engine**—If you're going to put an engine in the rear, you must reduce its weight, else the car will be out of balance and will be hard to control. One

FOUR DOOR SEDANS	FORD FALCON	CHEVROLET CORVAIR	CHRYSLER VALIANT
Over-all Length .....	15 ft. 1 in.	15 ft.	15 ft. 4 in.
Width .....	70.0 in.	66.9 in.	70.4 in.
Height .....	54.5 in.	51.3 in.	53.3 in.
Weight .....	2,288 lb.	2,340 lb.	approx. 2,650 lb.
Trunk Capacity .....	23.0 cu. ft.	11.3 cu. ft. plus 4.3 cu. ft. behind rear seat	24.9 cu. ft.
Turning Circle Dia. ....	37.7 ft.	39.0 ft.	37.1 ft.
<b>Engine</b>			
Size and type .....	front mounted 6-cyl. in-line cast iron block	rear mounted 6-cyl. horizontal air-cooled, aluminum block	front mounted at 30-deg. angle 6-cyl. in-line cast iron block
Displacement .....	144.3 cu. in.	140.0 cu. in.	170.0 cu. in.
Horsepower .....	90 hp.	80 hp.	approx. 97 hp.
Mileage .....	20-35 mpg.	18-33 mpg.	19-34 mpg.
(depending on transmission, rear axle ratio, driving conditions)			

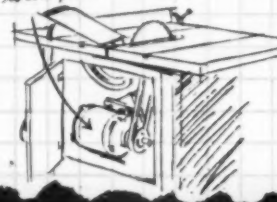
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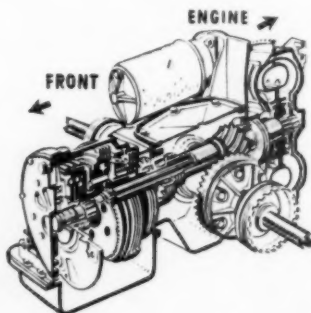
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way is to use a small, low-powered engine, but Chevrolet felt this wouldn't satisfy most American drivers.

As an alternative, Chevrolet chose air cooling, to eliminate such heavy elements as radiator, water jacket, and hoses. It also designed this engine to use as much light metal as possible in place of heavy metal. When aluminum "hot metal" and new die-casting techniques made mass-production cost savings possible, Chevrolet could build the crankcase and cylinder heads of aluminum. Cylinder liners are still cast iron, to resist wear.

If the engine is to be in the rear, it doesn't have to be designed narrow enough to fit between the parts that move when the car turns a corner. You can go to an opposed-piston "pancake" engine, as Chevrolet did for the Corvair. This type, separating the hot cylinders, is particularly well adapted to being air-cooled. For smoothness, balance, and the desired performance, Chevy chose a 6-cyl. design. The cooling blower, unlike the Volkswagen's axial fan, is a centrifugal blower wheel mounted horizontally over the engine.

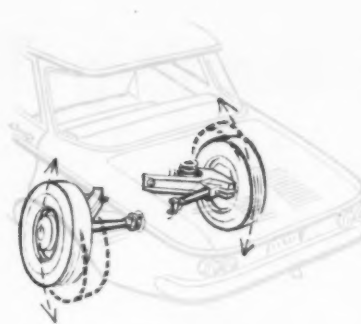
• **The Rear End**—Having the engine in the rear means that the transmission connects directly with the driving rear axle, so you have a transaxle. The en-



Corvair transaxle

gine in the Corvair is wholly behind the rear axle, with its driveshaft pointing forward. Between the engine and the transmission-axle is the clutch (or, in the optional automatic drive, a torque converter); on the forward side of the axle is a planetary gear set or standard transmission.

The swing axle is another innovation imposed by mounting the engine in the rear. In the conventional (Hotchkiss) drive, the engine is connected to the drive shaft by a universal joint that allows the rear axle and the shaft to go up and down with the rear wheels as the car goes over bumps. With the engine in the rear, driving directly into the rear axle, there's no room for this flexibility in the drive shaft, so the axles themselves are pivoted to move up and down while the engine and transmission keep their position.



Corvair swing axle

• **New Tire Design**—Chevrolet says the car could not have escaped some undesirable steering and stability characteristics if it were not for the rubber companies' development of new low-profile (wide and shallow) tires mounted on extra-wide rims.

With these, Chevrolet prescribes more pressure in the rear tires. The company claims for Corvair a near-perfect combination of handling characteristics hitherto thought impossible for a rear-engine car of its size, weight, and power. When loaded, the car distributes its weight 40% on the front tires, 60% on the rear.

The Corvair rides softly, yet corners without leaning. With this quality of a hard-sprung sports car, some experts fear that drivers will be tempted to try turns at unsafe speeds.

• **Other Features**—There are other features of the Corvair worth noting.

Because an air-cooled engine produces heat only at the manifold and the muffler, GM designed a gasoline-burning heater for the Corvair, mounted in the luggage compartment in the nose and using the same fuel as the engine.

The Corvair's floor is almost perfectly flat, since there is no drive shaft going from front to rear but only a few control cables. In cars with manual transmission, the gearshift lever is mounted in the floor; with automatic transmission, the small lever is on the instrument panel. Because capacity of the front luggage compartment is rather limited, an option is offered of a rear seat that folds down, as in a station wagon.

As one measure of the car's operating economy, the fuel tank under the luggage compartment holds only 11 gal., compared with 15 or 20 for the larger U.S. cars.

### III. Weight-Saving Ford

For years, Detroit auto executives have been parrying criticism with the contention that, labor and materials costs being what they are, it simply isn't possible to build a cheaper car in this country than the lowest-priced, stripped Ford, Chevy, or Plymouth.

Now they have proved they were

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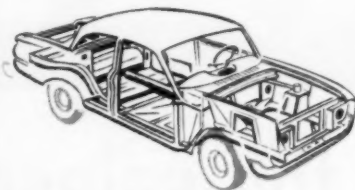
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wrong. Ford offers its Falcon as proof of an engineering breakthrough that produces the long-sought economy car without sacrificing vital features. The Falcon has the same interior dimensions as the standard Ford of as recently as 1954, but it weighs some 1,500 lb. less and costs \$150 less than the 1959 Ford. It gets up to 50% more miles per gallon of gasoline than the most economical standard Ford, along with other economies such as less oil consumption, cheaper batteries, cheaper tires, and simpler maintenance.

• **Fewer Parts**—Ford engineers cut weight in many ingenious ways, such as making the floor of the luggage compartment do double duty as the top of the 14-gal. fuel tank.

The Falcon engine contains 120 fewer parts than the standard Ford 6. The manifold and cylinder head are cast together as one piece of iron. The block is also cast iron, but aluminum is used in the pistons, flywheel housing, and transmission extension. For long life, the engine is "oversquare," which means that the cylinder bore is greater in diameter than the inches of stroke, the distance the pistons move up and down in the cylinder.

The body and doors are thinner and lighter. The door frame is made up of only two pieces, rather than the customary 21. In all, the Falcon body has 200 fewer parts than the standard Ford body. Even the absence of chrome trim, part of the theme of crisp styling, helps to keep weight down.



Falcon unit body

"The essence of the Falcon," says Henry Ford, II, "is design simplification on a scale that will enable us to provide more and more real product value in the face of continuing cost inflation."

• **Buyer Preference**—Ford's decision to build this kind of Falcon—6 cyl., 90 hp., six-passenger seating, optional automatic transmission (control on the steering post)—came only after depth research in the market.

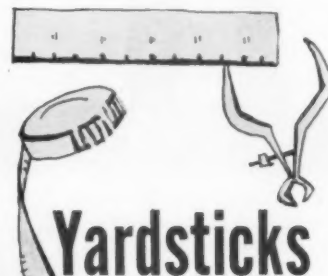
The researchers first explored market demand for a smaller car that would have four cylinders, carry five passengers, be equipped with standard transmission, and sell for \$200 less than the conventional Ford, Plymouth, or Chevy. More than 40% of the responses showed interest. Of the reasons for buying such a car, gasoline economy



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Columbia Ribbon & Carbon Pacific, Inc., Duarte, Calif.



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### Number of Advertisers

Business Week carried over 200 more advertisers than any other general-business or news magazine.

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Business Week carried more exclusive accounts than the three leading general-business magazines combined, nearly twice the total of any management magazine.

**. . . in engineering, Chrysler's Valiant lies somewhere between the Falcon and the Corvair . . .**

(STORY on page 102)

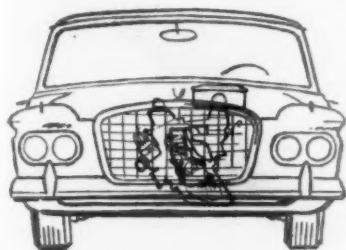
ranked first, followed by low purchase price and ease of parking.

Further research indicated that the potential market could be broadened substantially by offering a bigger engine, greater passenger capacity, and an automatic transmission, if operating economy would be maintained. Using this knowledge, the Falcon was laid out.

#### IV. Valiant's Step Further

In engineering, Chrysler Corp.'s Valiant lies somewhere between the conventionality of the Falcon and the daring of the Corvair.

The Valiant's new but conventional overhead-valve six has a cast-iron block and is mounted in the front of the car. But it is tilted toward the right side of the car at a startling 30-degree angle, to produce a lower center of gravity and allow a lower hood line. It also has a new intake manifold and an a.c. alternator instead of a d.c. generator.



Valiant tilted engine

- **Hiding the Horsepower**—Chrysler designed the Valiant for a larger and more powerful engine than the Falcon and Corvair have. Oddly enough, this has resulted in a reversal of the old horsepower race. Engineers say the Valiant power plant is capable of 110 hp., but Chrysler marketers argue that "an economy car should not be presented as having more than 100 hp."

Apparently the same sort of argument occurred at Chevrolet. Announced horsepower for the Corvair is about 10 hp. less than the engine is believed capable of producing.

- **New Manifold**—Chrysler claims equal economy for the Valiant while delivering better performance than its competition. It relies chiefly on the virtues of its new intake manifold.

Conventional manifolds consist of a pipe from the carburetor with an outlet to each cylinder. Chrysler engineers

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designed a cast-aluminum manifold for the Valiant—also to be used on the new Plymouth and the Dodge Dart 6—that has a separate pipe from the carburetor to each cylinder. The result is a poor man's supercharger, increasing performance by 8% with no loss in gasoline economy.

- **Alternating Current**—The aluminum-cased a.c. alternator is another example of Chrysler's investment of its best engineering talent in the Valiant. This form of battery charger, the size of a coffee can, weighs only 12 lb.—60% less than the conventional generator. The a.c. is converted to d.c. for engine and battery use by six silicon diode rectifiers.

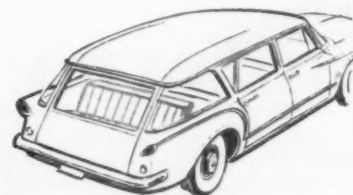
This alternator costs more to make than a generator, but it has offsetting advantages, according to Chrysler:

- The two carbon brushes ride on smooth slip rings rather than on the notched surface of the commutator in a conventional auto generator. This so reduces friction that the old d.c. generator bugaboo of worn brushes is virtually eliminated.

- The alternator produces about 5 amp. at idling speed of the engine, when a conventional car would be running down its battery. Chrysler says this should improve battery life in cold weather and stop-and-go driving.

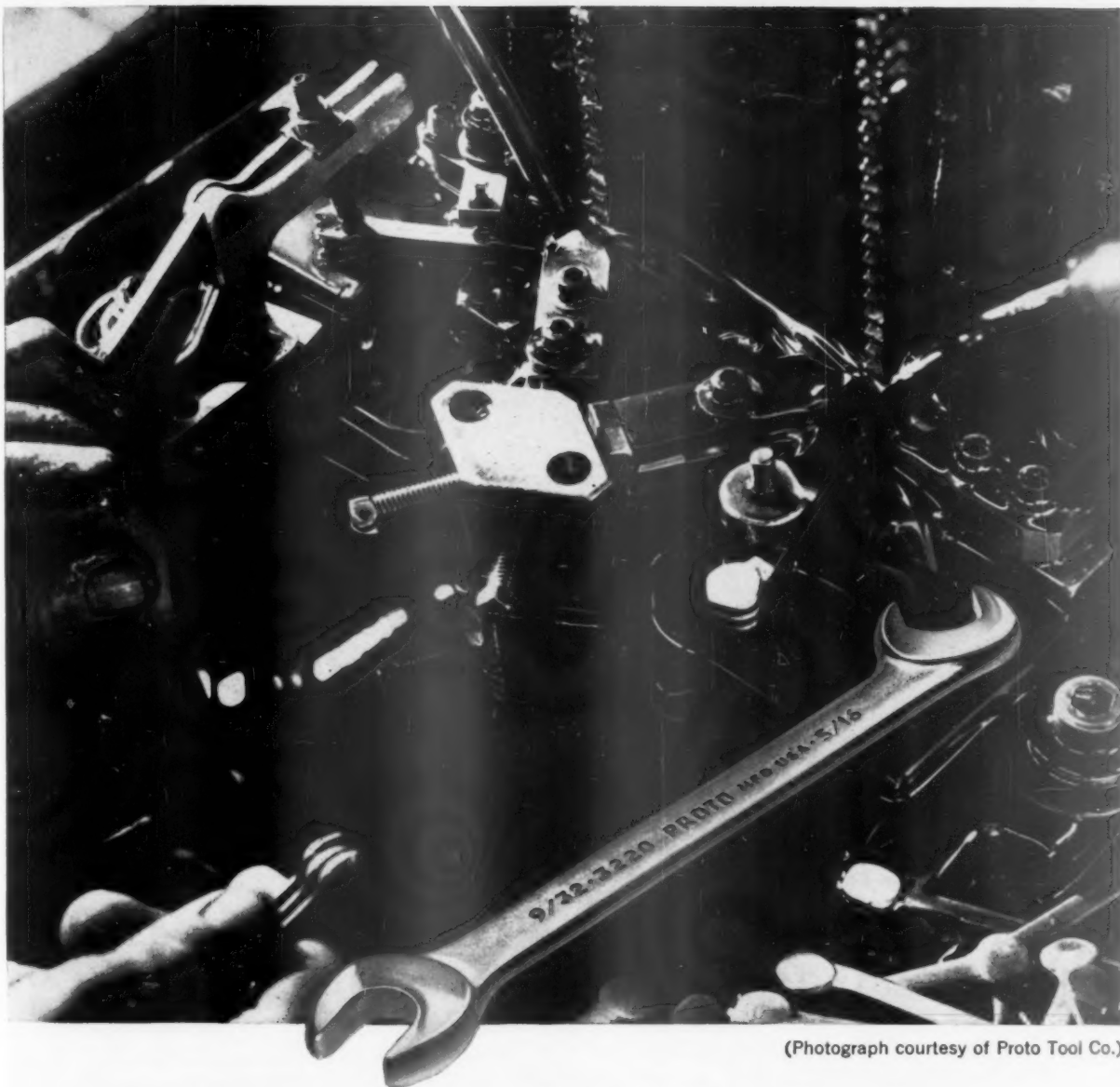
- **Running Gear**—Like its rivals, the Valiant offers both manual and automatic shift. As in the Corvair, the manual shift lever is mounted on the floor; the automatic transmission is controlled, Chrysler-fashion, by pushbuttons on the dash.

The 13-gal. fuel tank behind the rear axle has a half-moon indentation to allow mounting of the spare tire on the same level, beneath the luggage compartment floor, as in several European cars. The Valiant uses Chrysler's suspension system—torsion bar in front and leaf springs in rear—designed, like the rest of the Valiant, by the former chief engineer of Mercedes-Benz.



Valiant station wagon

The Valiant offers power steering and power brakes as options because (1) the car is 300 lb. heavier than the Falcon and Corvair and thus a little harder to steer, and (2) Chrysler executives believe there is profit to be made in the preference of women for these two options.



(Photograph courtesy of Proto Tool Co.)

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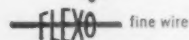
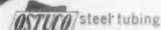
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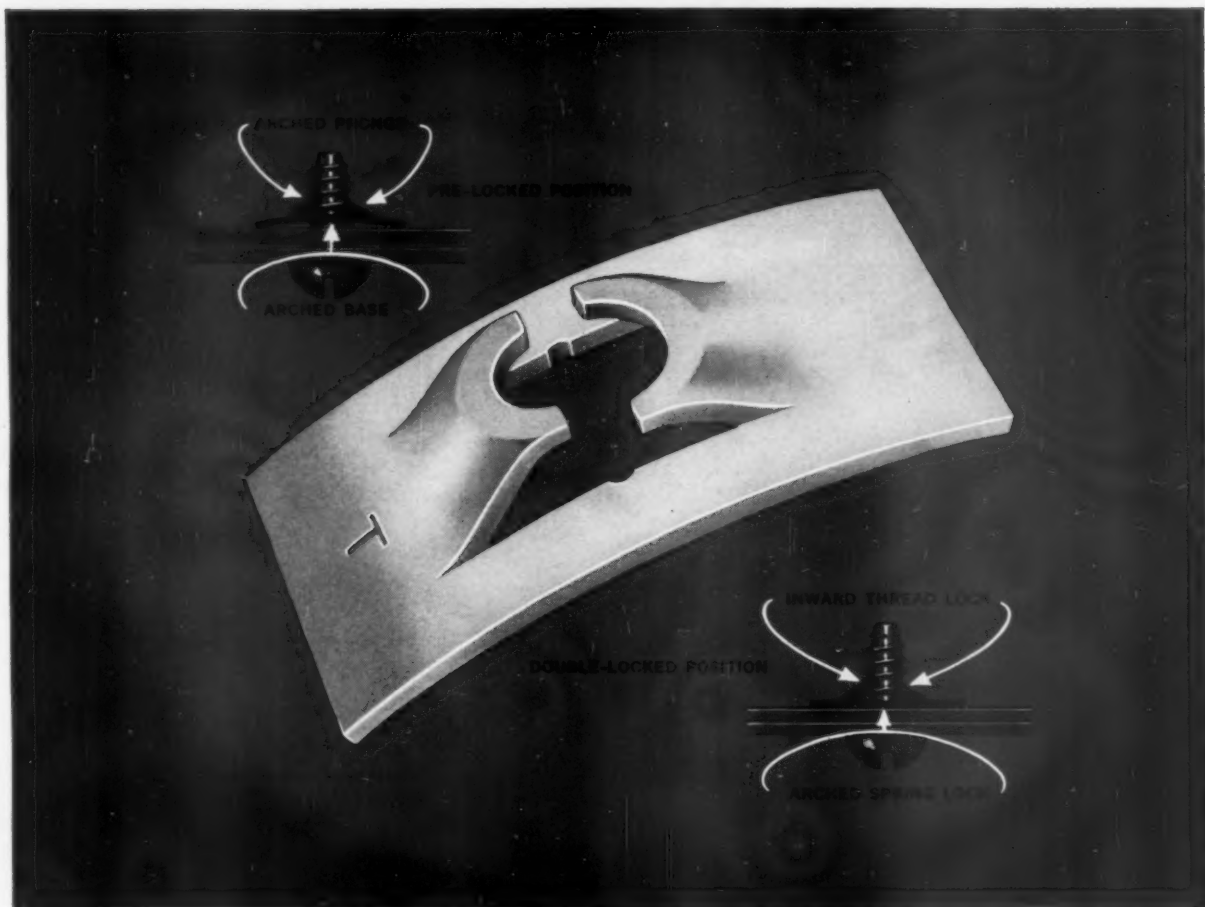


stainless strip



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# INTERNATIONAL OUTLOOK

BUSINESS WEEK

OCT. 3, 1959

A BUSINESS WEEK

SERVICE

An improvement in U.S.-Soviet trade relations could come fairly fast. The way has been cleared by the Eisenhower-Khrushchev talks (page 25). Under Secy. of State Dillon made this plain at a midweek news conference.

Everything hinges now on the settlement of Moscow's Lend-Lease debt. Washington would take such a settlement as a sure sign that Moscow wants better political and economic relations. And with the Lend-Lease question settled, the Administration could ask Congress to amend the Johnson Act to permit private credits to the U.S.S.R., even though pre-Soviet obligations still would be in default.

It's possible that Khrushchev will try to push a Lend-Lease deal through in a hurry. Chances are Washington will settle for around \$500-million, funded over a long period, say 40 years. During the last round of dickering on Lend-Lease, the U. S. asked for \$800-million while the Russians refused to offer more than \$300-million.

If an agreement is wrapped up by the end of the year, the Administration undoubtedly will go to Congress early in 1960 for an amendment to the Johnson Act. Then Moscow could seek private credits to finance the purchase of plastic and synthetic fiber plants, which are high on their shopping list.

At the same time, Washington probably would widen the list of products that can be exported to the U.S.S.R. Steel pipe certainly would be included.

The Administration also plans to give the Russians a better break in the American market, so they can increase their dollar earnings.

First will come action on two embargoed items that the Russians want to sell—crabmeat and furs. In the case of crabmeat, the Administration can remove the embargo on its own hook. But for furs, it must go to Congress for legislation.

Dillon also indicated that the Administration is prepared to consider a new trade agreement with Moscow—one that would give most-favored-nation treatment to Russian products such as manganese and chrome. (At present these products carry a punitive tariff rate.) But nothing will be done on this score until the Lend-Lease question is settled. In fact, it's unlikely that a trade agreement could be signed before Eisenhower goes to Moscow next May or June.

Assuming things develop this way, there's bound to be an increase in U.S.-Soviet trade. Possibly our exports to the U.S.S.R. in 1961 could reach somewhere between \$50-million and \$100-million. Last year the total was less than \$5-million.

The Russians obviously want to buy plants and a variety of industrial products to fill certain gaps in their Seven-Year Plan. They may even want to do some buying for Red China. As for payment, they can count on some increase in dollar sales and something in the way of private credits. Beyond that, of course, they can use gold—something they haven't hesitated to do over the past few years in settling their trade accounts with Western Europe.

—•—  
Britain's election campaign—after a quiet start—has turned into a free-swinging battle.

The Labor Party is playing it rough. One unexpected piece of ammu- 111

# INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

OCT. 3, 1959

tion is the Jasper financial scandal (page 31). It's a made-to-order campaign issue for attacking the Conservatives.

Labor is broadening its attack on business. Main targets: capital gains, expense accounts, tax-free compensation to executives—as well as Jasper-type takeover bids. Labor politicians are describing these as social evils brought on by “Conservative freedom.”

Conservatives have a lot of weapons on their side.

The favorable outcome of the Eisenhower-Khrushchev talks is helping to bolster Prime Minister Macmillan's “peace and prosperity” platform. Low unemployment—now down to only 1.9% of workers—also is helping Macmillan's case.

Even so, the City—London's financial district—is far from certain now that the Conservatives have the election in the bag. The Conservative lead is so small, according to public opinion polls, that Labor just might stage an election upset.

—●—

The Algerian war may be grinding into its final phase. Both the French and the rebels have offered fairly realistic peace proposals (page 88).

The rebel FLN (National Liberation Front) this week accepted Pres. de Gaulle's bid for a cease-fire and referendum on Algeria's future status. But that's only the start of efforts toward a final settlement.

The main obstacle still is de Gaulle's refusal to recognize—and talk with—the FLN as spokesman for the rebels.

De Gaulle's peace plan is a calculated risk. It may bring repercussions from the French army and political parties. A plan for a liberal solution to the Algerian crisis is what toppled the Fourth Republic and brought de Gaulle to power. Now he is risking the same type of approach—though he has more prestige than any other postwar French leader to carry it off.

Already, there are signs that France's political unity under de Gaulle is beginning to crumble. The new peace plan is opening the way for frank political debates. The Socialists, for one, may start to throw their weight around more.

—●—

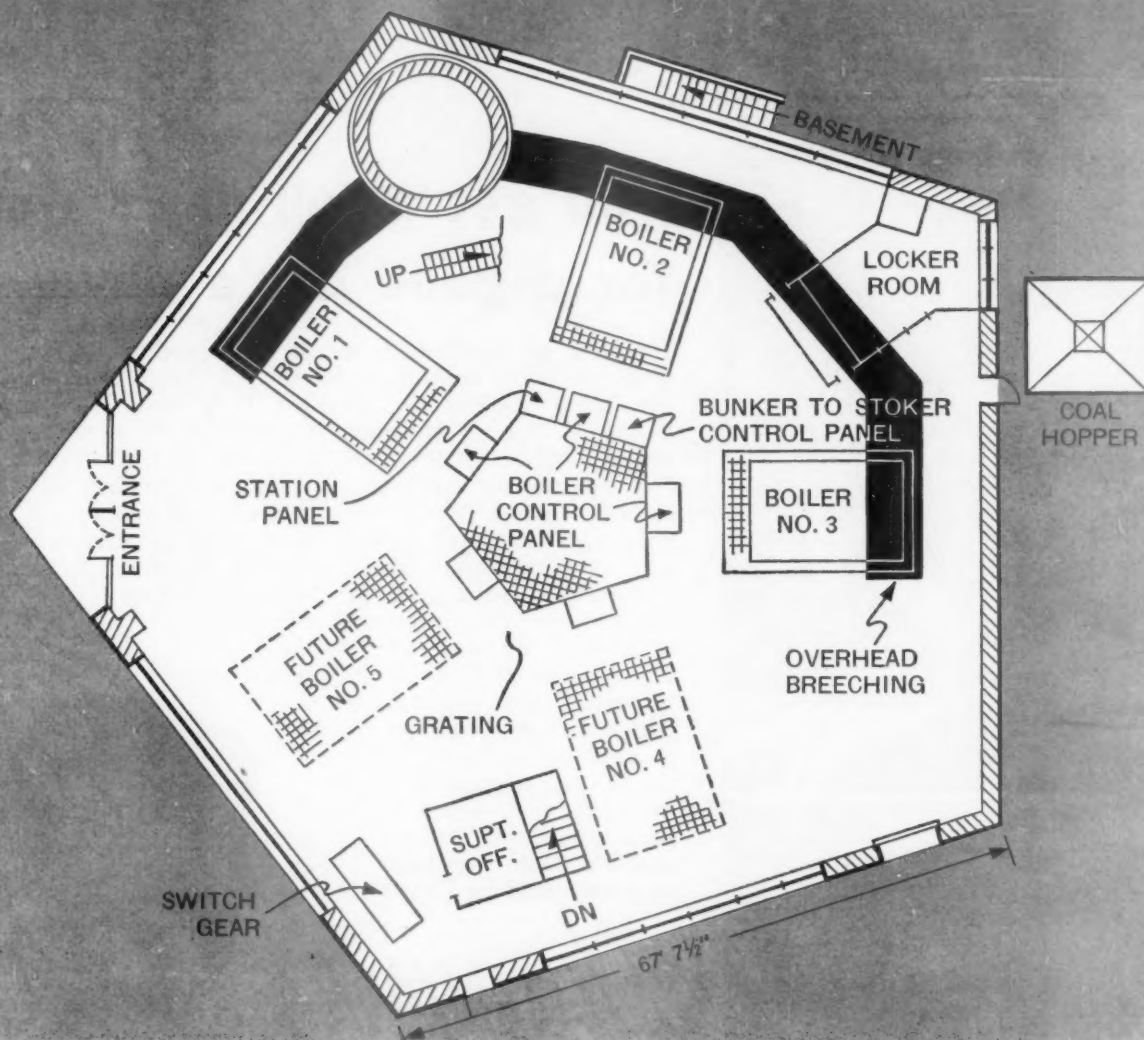
Soviet Premier Khrushchev is holding full-scale discussions with Red Chinese leaders in Peiping this week. Ostensibly, he's there as top guest for the 10th anniversary of the Communist victory in 1949. But his real business is to relay Pres. Eisenhower's views to the Peiping high command and discuss Red China's own problems.

Khrushchev undoubtedly will have to spend time patching up Moscow-Peiping differences. Peiping, feeling like an outsider, has played down the Eisenhower-Khrushchev talks. It evidently feels it has little to gain immediately from any easing of East-West tension.

Peiping opened the anniversary blowout by haranguing about the “liberation” of Formosa, Nationalist China's stronghold. Yet Khrushchev, on arrival, publicly slapped Peiping by emphasizing “world peace.”

Khrushchev will have some hard issues to discuss with Chinese leaders. Soviet economic aid is a key topic. China needs this aid to push economic development. And lagging economic growth has been one reason for the recent shake-up (BW—Sep.26'59,p144) in the Peiping high command.

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## Hospital cures fuel ills with "little Pentagon"

Richmond State Hospital burns coal for economy and availability in modern pentagonal power plant

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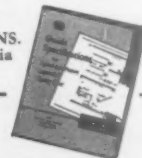
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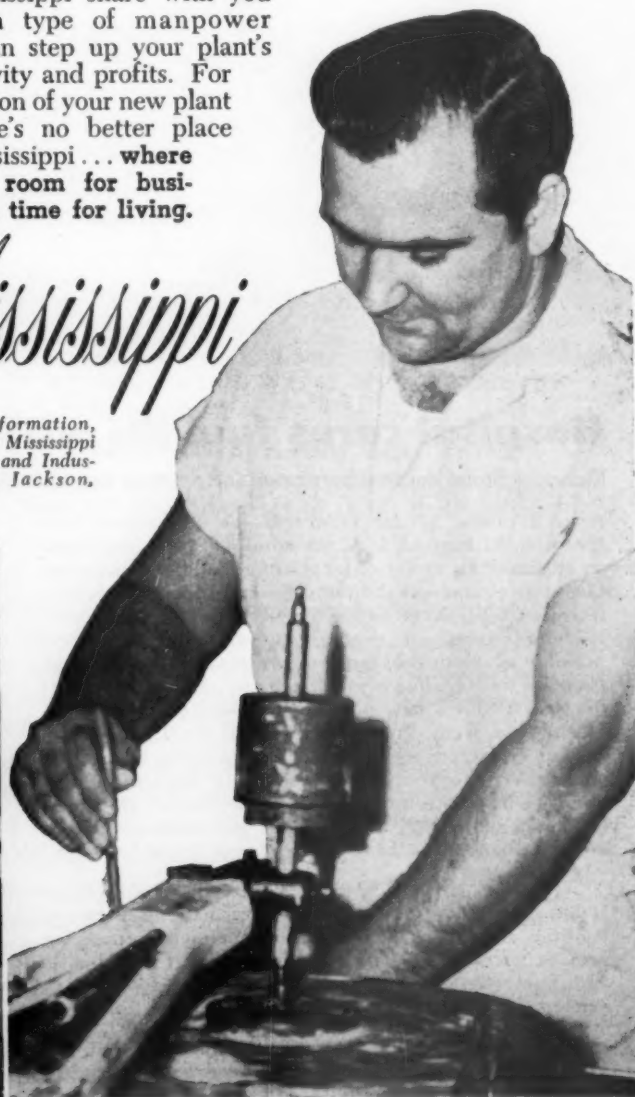
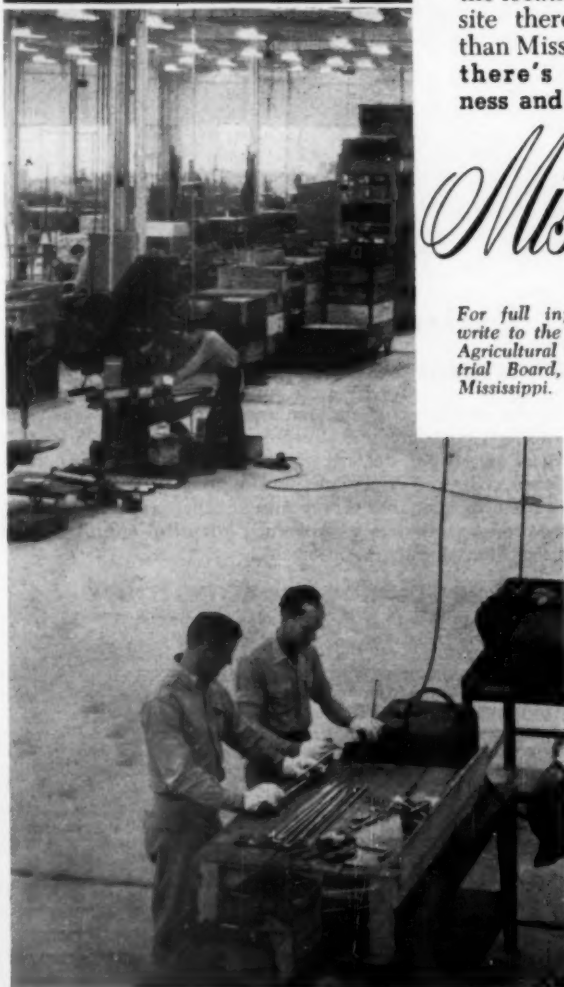
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# Mississippi

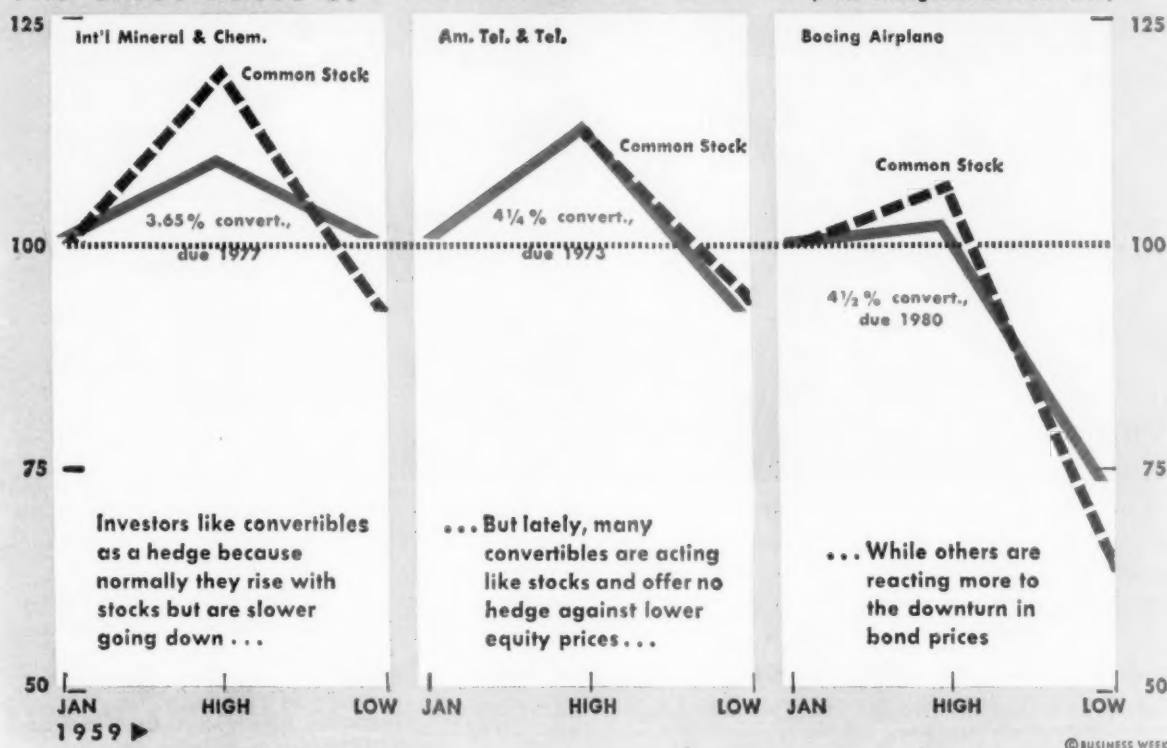
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## THE MARKETS

### The Three Faces of Convertible Debentures (Price Changes Jan. 1959=100)



## Two-Way Hedge—With Pitfalls

Along Wall Street today, the corporate securities with the schizophrenic personalities—convertible debentures—are suddenly coming into the investment spotlight. With the stock market in a nervous state, and bond yields at the highest point in nearly 40 years, it looks as if convertibles may be headed for another big vogue on the Street.

The unique and growing role these securities play on Wall Street arises from their dual nature:

- They look—and sometimes act—like bonds: They are the unsecured debt obligations of the issuing corporations; they carry interest rates, ranging now from 3% to 6%; and their principal is due at specific maturities.
- But they can also act like stocks, because of their "conversion feature." This allows investors to convert them into common shares at a stated price. If the stock rises sharply, the convertibles are usually bid up, too, because the value of the stock they can be converted into will become greater than the par value of the debenture.
- **No Accident**—The current investor interest in convertibles is no accident.

It reflects accurately the schizophrenic quality of investors' psychology today.

Stock-minded investors who fear a tumble in equity prices buy convertibles as a hedge, because they are usually slower on the downgrade. Cautious investors hoping for a rise in stocks buy convertibles to cash in on the rise without fully committing portfolios to the hazards of equity investment.

• **Dangers**—But, as is clear from the chart above, hedging with convertibles today has its own hazards. Take American Telephone & Telegraph convertibles, for example. AT&T stock is trading so high that the debentures' conversion value—the worth of the common stock they can be turned into—equals \$1,867. But the "investment value"—an estimate of the debentures' price if there were no conversion—equals about \$950. The stock is so high, in fact, that investors figure there's a "minus yield" on the convertibles—because the \$867-point premium, which would be lost if the debentures were called at par, is greater than the total of all interest payments still to come.

As long as the stock, recently at 78,

stays above the conversion price of 47.33, these debentures will offer no hedge against a falling stock market. Instead, they'll simply rise and fall with the ups and downs of the stock.

The price relationship of convertibles and common varies. In early 1958, the situation was different. Only 15 common stocks were above the stock conversion price for the 110 debenture issues then widely quoted. The booming stock market earlier this year changed that. By July, 1959, 106 stocks out of 183 had market prices above conversion prices for their associated debentures. Today, 85 out of 189 are higher, reflecting the stock market's shake-out. This means over one-third of the convertibles still offer little hedge against a further drop in stock prices.

• **Two-Way Trap**—Investors who steer clear of this hazard have to be wary of another trap. For the past few weeks Wall Street has been treated to an unusual spectacle—falling prices for both bonds and stocks, instead of the customary rise in one when the other falls. In such a case, a convertible investor could be badly hurt if the debenture's

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"conversion value" declined with stock prices and its estimated "investment value" fell with bond prices.

Some traders think Boeing Airplane Co. convertibles are typical of this situation. When the stock fell rapidly away from the conversion price of 50, the debentures started trading like a bond. But with bonds sliding, much of the debentures' recent decline—which has brought their yield up to 5.21%—is in line with the deterioration of bond prices. At \$910, they are only a few points above the "investment value" of \$860.

- **More in the Groove**—International Minerals & Chemical Corp. debentures (chart, page 115) are an example of convertibles that act in price more nearly as investors would like. Even though the stock price is below the conversion price, they participate in the common stock's rise, but they do not fall as sharply.

- **Strange Bedfellows**—Even if a convertible is selling at a big premium because the stock is selling above conversion price, many investors are not inclined to convert, or in the case of some institutions, aren't allowed to.

These current convertible-fanciers are as disparate a lot as most brokers will ever see. They all want something different:

- The "fast money" crowd, working from bank loans on a low margin, counts on doubling its money with a 10% to 20% rise in convertibles. This group seeks equity action but wants to dodge the 90% margin required on stocks. So it buys convertibles, uses them as collateral on a bank loan for 80% to 90% of their market value. This is, in effect, an equity investment on a 10% to 20% margin. Meanwhile, many debentures yield from 3.8% to 8.8% to maturity, which pays all or part of the 5% or 6% interest on the bank loan.

- Savvy businessmen are straddling the market. They're hedging against a fall in stock prices, but don't want to miss a fast rise in stocks before they can get reinvested again.


- Institutional investors—some banks, trust funds, and others—that aren't allowed to invest in stocks seek indirect and limited participation in equity values' long-term growth. Other institutions restricted in the amount of stock they can hold—such as many life insurance companies—want to increase their participation.

- Other investors are looking for security for their capital and the income that bonds provide, but without sacrificing capital growth.

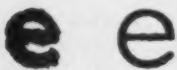
It's one of the unique characteristics of convertibles—and the reason for their wide appeal, that they can fill, at least in part, so many needs.

- **Performance**—While today's markets

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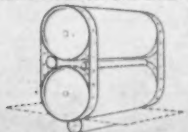


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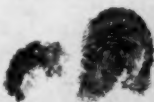


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are shot through with uncertainty, investors in convertibles fared well in 1957—a year that provided a three-way test. From Feb., 1957, to June, 1957, stocks rose while bonds fell. Convertibles' "investment values" fell 1 to 6 points, but conversion values increased for 25 of 28 issues. The market price of 19 issues rose, seven fell slightly, two were unchanged.

From July, 1957, to November, 1957, bonds were off 1%, stocks 16% by the Dow-Jones industrial averages. There was forced liquidation of speculative bond positions. Yet market prices of 30 out of 33 leading debentures resisted the blow and declined less than their conversion values.

From November, 1957, to February, 1958, both stocks and bonds rose (bonds 9% in the fastest rise in our history). Convertibles' investment values were up an average 4 to 8 points; conversion values were up for 22 issues, down for 16. But, in market price, 37 of the 38 issues rose by 3 to 15 points.

• **Popularity**—Convertibles are not new in the world's financial markets. In the U.S., early convertible issues were floated mostly to finance railroads in the 1800s. Convertibles in the earlier decades of the century were frequently of low investment quality.

The picture changed gradually as convertibles rose in quality, and in popularity, both with issuers and investors. But only in the last three or four years have they grown sharply in number. In 1955, only 54 convertible issues of any size were outstanding, totaling \$1.1-billion. Today, there are 189 issues, amounting to \$2.6-billion.

• **Corporate Lure**—Corporations have found that by selling convertibles, where the conversion price is usually well above the market price, they can in effect offer common stock at a price higher than the market. The stockholders' equity in the company is not diluted, because the capital can be transformed into income-producing plant or equipment before the issue is converted into stock. AT&T, for example, floated eight convertible issues totaling \$4-billion since World War II, to finance part of its expansion program. Yet, despite the large increase in outstanding common shares through conversion, AT&T could increase its dividend rate.

Corporations also find that convertible offerings—actually, raising equity capital on a delayed basis—draw funds from investors uninterested in straight common stocks. In these tight-money days, investors will accept a convertible coupon rate 1% to 2% lower than on a straight bond, for the right to participate in possible future profits. In addition, there's the tax angle—in figuring taxes corporations can deduct debenture interest, but not stock dividends, from current income. **END**

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As Japan has aggressively promoted its railroads, the nation has grown in economic strength since the war. Freight traffic increased some 90% from 1946 to 1956 — and over-all efficiency has gone up with it.

\* \* \*

In the United States, by contrast, the government appears indifferent to the strength and stability of the railroads while it promotes and encourages the railroads' competition.

Railroads are burdened with discriminatory taxation — while their competition uses highways, waterways, and airways built and maintained by the government. When we handicap our railroads, we promote inefficiency, high costs and high prices. And all America is the loser.

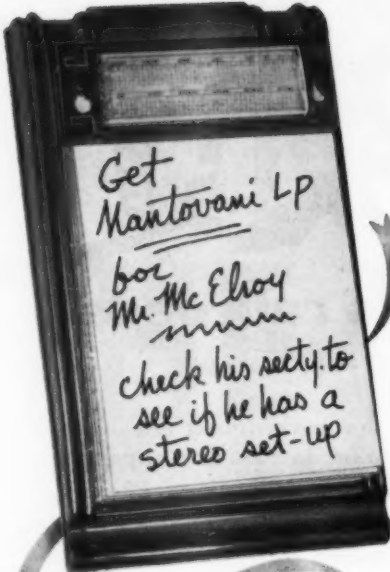
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The railroads of the United States ask no special favors. All they ask is equality of treatment — and the opportunity to compete *on an equal basis* — to the benefit of the public.

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## Foreigners Snub U. S. Stocks

Smart money from abroad is going into Treasuries and foreign issues instead of U. S. equities, apparently on a gamble that the U. S. market won't regain its full-fledged bullishness.

Foreign investors are betting that the U. S. stock market won't turn back up with any strength. They are playing it close to the vest, slowly cutting back on their purchases of U. S. shares, switching into short-term Treasury bills, high-yielding foreign stocks, and foreign dollar bonds. But they still have enough confidence in stock prices here so that they are not making wholesale reductions in stock portfolios.

These are the key findings of a BUSINESS WEEK check of brokerage houses that deal heavily with foreign stock buyers. New York brokers report also, however, that while the foreign buyers were disturbed by last month's fall in the stock market and were net sellers in August, they were not so upset as U. S. investors. Their short position was not nearly so large as it was in 1958 when foreign investors got caught as the market suddenly turned up. Sentiment seems to be strong that the U. S. economy will continue active and that stock prices should move with the pace of business.

• **Smart Money**—Money from abroad, rightly or wrongly, has earned a reputation as both "smart" and "hot." It supposedly owes no allegiance to any country, but flows where there is a profit to be turned. This reputation has caused many U. S. traders to watch the flow of foreign money and follow its example when possible. Thus, while the volume of foreign money in U. S. stocks is large, its influence is even more impressive.

At times, following a foreign example has backfired. For instance, when stock prices were climbing in 1958, a number of big investment groups, particularly the British insurance companies and the Scottish investment trusts, spurned equities and sold on balance. They didn't come into the bull market until early 1959. But, overall, money from abroad has proved more right than wrong.

• **Speculators**—In today's market, foreign purchasers are playing a big role in stock speculations and quick moves by individual stocks. Brokers say their influence on stock groups is nil. "They don't hold as big blocks of stock as U. S. institutions, and they're not making any dramatic shifts—such as the big institutions here are making out of oils," says one broker.

But their influence on individual stocks can be impressive. One broker says: "I'm sure money from abroad is

pushing up Studebaker-Packard"; another adds, "We're getting big buy orders from abroad every time a stock takes off—Fairchild Camera and American Motors are cases in point."

Foreign investors always have focused on individual issues, but there seems to be a new trend emerging. In the past, they stuck to particularly well-known rails and some big industrial blue-chips. Now they show a willingness to buy shares of less prominent companies in a wide variety of industries.

• **Few Restrictions**—This concentration on individual stocks that are moving quickly is only natural. There are few capital gains taxes overseas, and most Europeans are able to trade and speculate freely. They can move in and out of stocks, take losses, accept modest gains, continually shift their funds into money-making channels.

In many countries, there are also favorable margin rules. In Switzerland, you only have to put up about 30% cash for your purchases—if you're well-known. Some of the funds coming from Switzerland are American, dodging capital gains taxes and margin rules.

• **Return Expected**—While admitting that activity by foreign buyers now is "slack" or "dull," brokers insist that European trust accounts are showing more interest in U. S. stocks. When all the uncertainties about the cold war and the steel strike are settled, they should become big buyers again.

Derek Grewcock, a broker at Carl M. Loeb, Rhoades & Co., explains: "The Germans, for example, only came into the stock market here in a big way in 1959. They were big buyers on balance in the early months, then they reduced their purchases to a trickle. But they've got the capital now, and there are signs they are just waiting to come back in."

In the meantime, brokers say, Europeans are returning to their traditional preference for higher yields than common stocks here can offer. A special case is the British, who are buying U. S. Treasury bills in huge volume to hedge the British election. Yields here on Treasury bills are  $\frac{1}{4}$  of 1% higher than in London. The British reason this way: If the opposition Labor Party wins, the London stock market will break, but the investors in U. S. Treasury bills will be safe. If the Conservative Party wins, they'll be able to switch from Treasuries to what they expect will be a buoyant London market. **END**

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# In the Markets

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## Steel Stalemate, Khrushchev, Tight Money All Contribute to Indecision in Stocks

Indecision was the mood in the stock market this week. Stocks backed and filled in a narrow trading range, on low share volume, as investors waited for developments in the steel negotiations and a clear line on the implications of the Khrushchev visit.

Increasingly, brokers report that the fear of tight money and high interest rates is taking its toll. Many investors are beginning to feel that the Federal Reserve Board, in its efforts to curb inflation, will break the back of the market. And there has been a rush into short-term governments, which are yielding 5%.

Most professionals still think the market will hit new highs after the steel strike is settled. However, there is growing concern about the market's nervous instability—as demonstrated when a \$30-million U.S. Steel secondary was announced. The market couldn't stand the pressure of the offering, and prices dropped about \$5.00.

• • •

## Metropolitan Sheds Studebaker Stock; Institutions Cut Back Holdings

Metropolitan Life Insurance Co. has finally sold all its holdings of Studebaker-Packard Corp. convertible preferred stock, totaling 30,165 shares. Metropolitan received the shares a year ago, when Studebaker issued 165,000 shares of convertible preferred to a number of lenders as partial settlement of a \$54.7-million debt. The life company is the last of the original creditors to sell out—and it may have obtained the best price. The preferred stock traded this week at \$400.

A number of big secondaries—sales off the floor of the exchange—have hit the market recently, some undoubtedly from big institutions trimming their sails. There have been big blocks sold in American Airlines, Republic Steel, Standard Oil Co. (New Jersey).

• • •

## Public Gets a Share in Ownership Of Schroder Family Banking Operation

The Schroder family of London, a power in international private banking for 155 years, this week offered the public a part in its numerous banking and investment activities for the first time. On the London market, it sold 750,000 shares at \$4.55 each in Schroders Ltd., a holding company recently formed to amalgamate the family concerns.

The public shares are equivalent to 15% of all Schroder shares outstanding, according to Gerald F. Beal, presi-

dent of New York's J. Henry Schroder Banking Corp., a wholly owned subsidiary of Schroders Ltd. Another portion is held by the Baring and Tiarks families—also illustrious in English finance. These chunks of stock owned outside the Schroder family qualify the parent company for tax advantages under British law as "public." Several other London merchant banks have gone public lately in order to achieve such status.

There has been demand among U.S. investors for the Schroder shares, partly because of interest in Schroder Rockefeller & Co., Inc., a subsidiary of J. Henry Schroder Banking Corp. Schroder Rockefeller has earned a reputation for shrewd investment in special situations; in the past, it has served as an investment vehicle for Avery Rockefeller.

• • •

## Bond Yields Lure Enough Investors To Bring Stability to the Market

The bond markets this week achieved some new-found stability. Prices firmed up as investors were attracted by the highest yields in 40 years, and dealers did a very substantial volume of business. Municipal bond inventories, totaling \$400-million a while ago, were cut to \$160-million. Both new corporate bond issues, priced to yield about 5½% and new municipal bond issues, priced as high as 4.2% in tax-free interest, were reported to be "going out the window."

However, pressure continues on the money market. The Treasury bills at this week's auction sold for even higher yields—4.2% for 3-month maturities and 4.9% for 6-month maturities. And dealers are still bearish about the long-term outlook. They expect even higher interest rates, since the money and bond markets still face the impact of the Treasury's \$6-billion to \$7-billion cash financings this fall and the rising demand for bank loans—which will require banks to sell even more bonds in order to raise necessary reserves.

In addition, many bond issuers have postponed offerings, such as the Port of New York Authority's planned sale a week ago of \$25-million in bonds. This overhang in the face of a dwindling supply of funds threatens to upset the market further.

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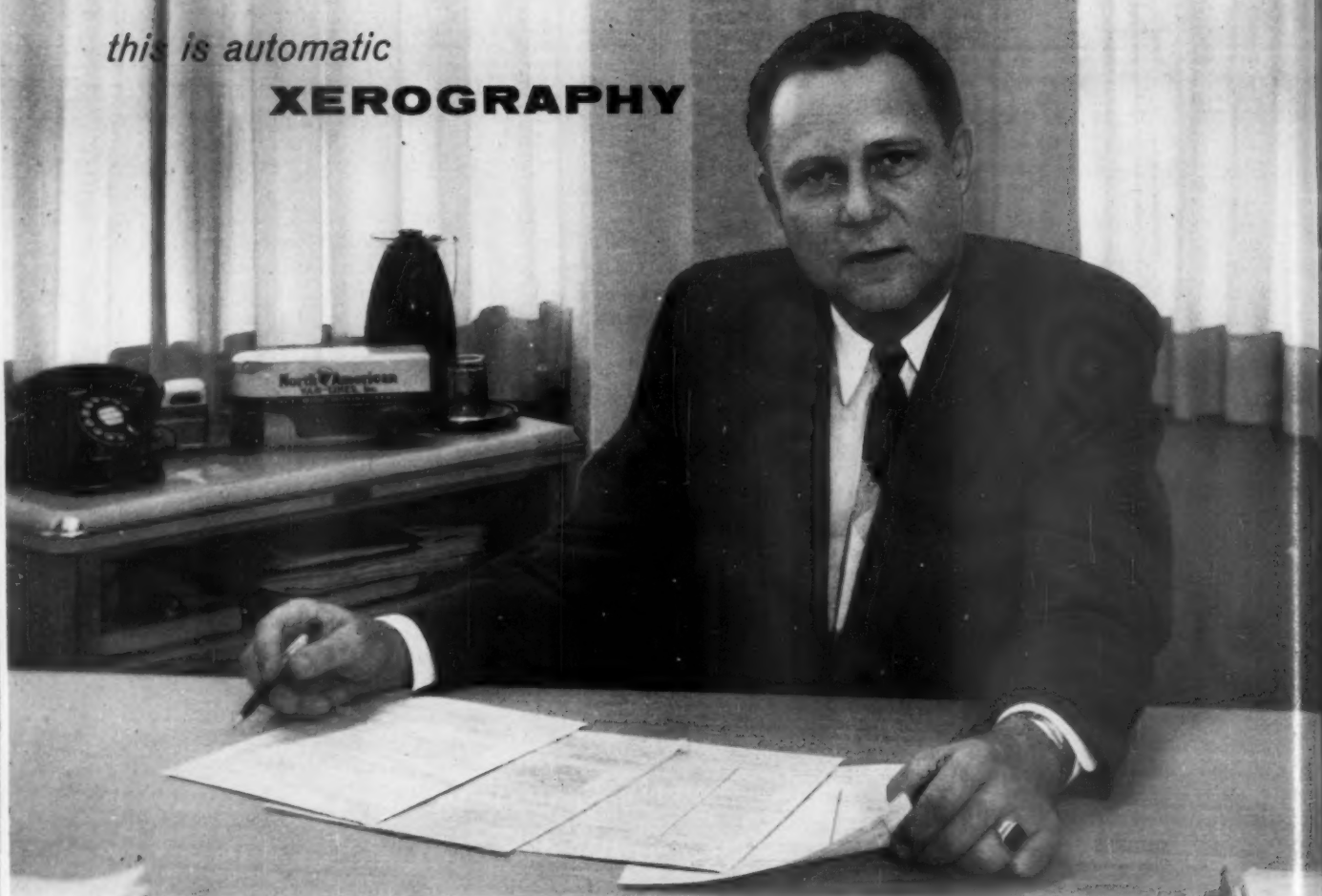
## Broker Hunts Preferred Stock Via Ads

Wanted: preferred shares—\$10-million available to invest in high-grade preferred shares subject to near-term redemption.

Arthur Wisenberger & Co., big New York brokerage house, made this unusual appeal this week to investors through newspaper ads. Wisenberger explained that it had offered to provide preferred stocks to corporations with surplus cash; corporations find preferreds a good short-term investment because they can take advantage of the 7.5% tax on intercorporate dividends, compared to the 52% tax on interest from Treasury bills. But the open market for preferreds near redemption is so thin that Wisenberger couldn't fill its orders. The ads were a last resort.

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North American Van Lines Inc. is one of only four interstate carriers serving all 50 states. Its 600 vans last year traveled more than 51 million miles, hauling more than 412 million pounds.

Understandably, the demand is high for paperwork duplicating at the firm's world headquarters in Fort Wayne, Ind. Copies are needed of bills of lading, customer invoices, inventory lists, documents requested by shippers, etc. They average 200 a day, but on occasion exceed 500.

By sending its original documents, twice daily, to a Fort Wayne commercial house to be copied by a Xerox® Copyflo® continuous printer, North American Van Lines is saving \$5,000 yearly over former reproduction methods.

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# **HALOID XEROX®**

## LABOR

# Waiting for Steel to Settle

● Bargaining in many other industries is dragging while both sides look for the long-delayed settlement in steel.

● Prolonged strikes persist in meatpacking, shipyards, and nonferrous metals; pickets may soon line the docks, too.

● In some relatively minor disputes, however, labor and management have reached accord, in most cases for both wage increases and improved fringe benefits.

While the steel strike boils to a new crisis (page 28), both sides in other labor disputes around the nation seem to be marking time.

Long-running walkouts continue in meatpacking, West Coast shipyards, and nonferrous metals. A dockworkers walkout along the East and Gulf coasts was delayed for fifteen days when both sides agreed to extend the present contract. Any new improvements are to be retroactive.

At the same time, recent settlements of a number of long—though small—strikes suggest that both labor and management want to return to normal. The stumbling block, in some instances, is the steel impasse. "My hands are tied," says a key negotiator for a large company. "I've got my big negotiations coming up. If I offer more than steel is willing to settle for, then I'll be cussed out as a traitor to my class; if I offer less, I'll have a strike on my hands."

Because of this predicament, many negotiators on both sides are awaiting a steel settlement before they get to work in earnest on their own contracts. Management wants to see how well the steel industry holds the line; labor is waiting to find out how much the steelworkers salvage from their strike.

### I. Back to Work

In recent wage settlements, the average sweetener has been 7¢ to 12¢ an hour. According to AFL-CIO's Research Dept., agreements in the first half of 1959 provided an average wage increase of 4%, with fringe benefits "widely" liberalized. Almost three-quarters of all negotiations have ended with some improvement in fringes.

AFL-CIO contends that many wage hikes have been small, considering the degree of business improvement. It blames, among other things, the tough bargaining posture adopted by management, as in steel. If some recent agreements are any guide, the higher settle-

ments are being made after long, hard strikes:

**Loggers and sawmill workers** in British Columbia ended a 49-day strike on a government recommendation for a 20¢ raise over two years and a job evaluation program. The 27,000 woodworkers demanded a 20% increase in their basic wage of \$1.72 an hour.

**Machinists** in Cleveland terminated the city's longest strike—against Jack & Heintz, Inc.—by accepting 8¢ an hour immediately and 6¢ more next July 1, in a two-year contract without a cost-of-living escalator clause. The union also agreed to changes in the incentive pay system, including a revision in the method of computing pay, designed to increase efficiency and reduce costs.

**Oil, Chemical & Atomic Workers** at Sherwin-Williams Co. ended a 108-day walkout with a two-year agreement for an average pay boost of 10½¢ an hour now, 8¢ next June 1.

**Steamfitters** in Worcester, Mass., came to terms after 72 days on a 50¢-an-hour wage increase spread over three years. The new contract omits a management-requested arbitration clause that was a major point of dispute.

### II. Still on the Picket Line

Meanwhile, the major strikes still in progress present some sticky problems.

There is no substantial change in the walkout of 30,000 members of the Mine, Mill & Smelter Workers from five big nonferrous metals companies—Kennecott Copper Corp., Magma Copper Co., Phelps Dodge Corp., American Smelting & Refining Co., and Anaconda Co. The Steelworkers this week, however, reached an agreement on an 8¢ hourly increase with American Smelting's Amarillo (Tex.) smelting plant. It's a two-year agreement with a Sept. 30, 1960, wage reopener.

Earlier, MMSW approved—without a strike—a new contract with U.S. Metals Refining Co., Carteret, N. J. The agreement provides a 7¢-an-hour

raise retroactive to July 1 in a package estimated to cost the company 15.6¢ an hour. It also includes a 7¢ increase next July 1 and a new non-contributory pension. The settlement is not regarded as setting a "rigid" pattern for the industry, though the union considers it "encouraging" and possibly influential.

• **Direct Offer**—In the strike of the United Packinghouse Workers and Amalgamated Meat Cutters & Butcher Workmen against Swift & Co., management bypassed the union and offered employees raises if they would return to work—8½¢ an hour for 17,650 workers in the North, 2¢ an hour for 1,500 employees in the South. Swift would not say how many workers had accepted the invitation, but the unions maintain the strike is still solid.

The unions called the strike almost a month ago at 37 plants, 26 branch houses, and 7 poultry plants in a demand for 15¢ an hour for all workers. The unions want employees in the North and South to receive the same wage increases. Swift has turned this down; the unions, for their part, have rejected a voluntary savings and security plan proposed by the company, under which Swift would match 50% of a worker's weekly contributions of \$1 to \$2.40. The plan was proposed as an alternative to the union demand for an automation fund like the one established at Armour & Co. in a settlement last month (BW—Sep.19'59,p56).

"We estimate the Swift offer is approximately 10¢ an hour less than the industry pattern," union spokesmen claim. Herman W. Seinerwerth, Swift's manager of industrial relations, disagrees. "We have made an offer that is better than anyone else in the industry has settled for," he says. "When pensions are added, it exceeds 30¢ an hour."

• **Deadlocks**—Elsewhere in the meatpacking industry, Wilson & Co. handed out, on its own, a 10½¢ pay increase retroactive to Sept. 1. Work is proceeding without a contract while union negotiations are in deadlock.

Steelworker pacts with Continental and American Can were extended 30 days beyond a steel settlement date or to Jan. 1, 1960, whichever is first.

No progress has been reported in other bothersome strikes around the country, including a month-old tie-up of Pacific Coast shipyards, a turbulent strike by Oil, Chemical & Atomic Workers against Amoco refineries in Texas City, Tex., and El Dorado, Ark., and a walkout of the American Flint Glass Workers. **END**

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## Pressure on Hoffa

Teamsters boss is prepared to fight back if Mitchell, monitors press anti-corruption drives too hard.

James Riddle Hoffa, boss of the powerful Teamsters union, this week shrugged off anti-corruption pressures closing in on his union. But he also gave notice that if the truckers were hard pressed, the union is prepared to fight back with all the strength of its record-breaking 1.6-million membership.

Whether or not the union will have to muster this strength as a result of the recently passed labor reform law is an open question. But there is no question that Labor Secy. James P. Mitchell, as administrator of the new law, intends to push every advantage the law gives him in waging the fight against corruption in the trucking union.

Ironically, at the same time, Hoffa may take refuge in the reform law to fend off attacks from the court-appointed monitors, headed by Martin F. O'Donoghue.

• **Twin Pressures**—Mitchell, last week, made a special point in his first directive under the reform law to note that union officials convicted of a felony could not hold office for five years thereafter. He sent a letter to Hoffa, requesting a list of such persons within 10 days.

Earlier, the monitors had asked Hoffa to remove immediately from office three local presidents: Joseph Glimco, Local 777, Chicago; Harold Gross, Local 320, Miami; and Anthony Provenzano, Local 560, Hoboken, N. J. The monitors asked that they be brought on trial before union boards on charges of racketeering developed by the McClellan Committee probes. Hoffa, too, was charged with misuse of union funds (BW—Sep. 19 '59, p63).

This week Hoffa announced:

• That a phone check of 95 regional offices turned up only five ex-convicts. This is out of a total of 7,000 officers and 3,000 clerical employees of the union, says Hoffa. And the five will be eligible to resume office next January. They are now on leave.

• That no trials were warranted for the three officials charged with corruption by the monitors. What's more, added Hoffa, none of the three could be removed under provisions of the Landrum-Griffin Act.

Meanwhile, the Teamsters executive board is proceeding to adjust the union's operations to comply with the new law. Hoffa revealed that the board went through a complete review of the act with 45 Teamster attorneys. **END**

In 1957...

## NORTH CAROLINA REDUCES TAXES

The most business-like approach to measuring corporate income on interstate operations has just been achieved by North Carolina.

This was accomplished in its new tax laws effective July 1, 1957. They re-define net income and provide up-to-date allocation formulas that will fairly apportion corporate net income and capital franchise taxes of interstate companies.

For 25 years North Carolina has maintained one of the most stable tax structures in the nation. It is doing the current fiscal year with a credit balance of \$63,000,000. It has levied no new taxes, and has brought individual income taxes into line with many federal provisions. This has

Not only has North Carolina added no new state taxes in a quarter of a century, but during the same period has made important corporate tax reductions. The 1959 Legislature adjourned recently, again without a raise in tax rates and without the addition of new levies. At the same time, some other states were forced to raise taxes.

Throughout this quarter of a century period, North Carolina has met fully its fiscal responsibility, raised salaries of school teachers and state employees, made gigantic investments in capital improvements at its institutions, and ended every year with a credit balance.

How has it been possible for North Carolina to maintain one of the most stable and attractive tax structures in the nation with no sacrifice in State services? The answer: efficient and progressive government; business-like purchasing; no give-away programs; sound fiscal policies in every phase of the State's business; AND an industrial and agricultural growth in a dynamic and growing State that has more than justified the modernized and equitable approach to taxes affecting corporations engaged in multi-state business.

The revision of North Carolina's corporate tax structure in 1957 did not reduce the State's income as much as had been expected because more and more industries have been attracted into this favorable business climate.

If you would like to join the happy parade, contact Business Man Governor Luther Hodges at the State Capitol in Raleigh.

# NORTH CAROLINA

..... and  
keeps  
them  
down  
in  
1959

# In Labor

• • •

## Unions Wail at "Staggering" Cost Of New Bonding Requirements

Unions are worried about the problems—and particularly about the potential high costs—possible under the bonding requirements in the new Landrum-Griffin Act. These apply to every officer, agent, shop steward, employee, or other representative of a union who handles funds or authorizes disbursements. The bond must be equal to 10% of the amount handled in a year, to a maximum \$500,000.

Last week, union officials present in San Francisco for the AFL-CIO biennial convention took up the bonding problem with labor attorneys. They indicated anxiety about the number who apparently will have to be bonded—including, one said, all executive board members and staff people—and the "staggering" costs involved at anticipated annual rates of 3% to 5% of the bond amount.

No conclusions were reached. The extent of the bonding necessary apparently is open to further interpretation by the Secretary of Labor and the Justice Dept. Unions plan to appeal for "moderate" rulings that would provide necessary safeguards for funds without running up high costs.

The bonding requirements specify that bonds must be with companies on the certified list of the Secretary of the Treasury. Many unions have cut costs by obtaining bonds from Lloyds of London. They'll have to shift to American companies under the new law.

• • •

## Plasterers Charge Promotion Agency With Unlawful Spending of Welfare Funds

The Employing Plasterers' Assn. of Chicago, representing 45 plastering and lathing contractors in Cook County, this week sued the Chicago Plastering Institute, Inc., a union-management promotion agency. The suit demands an accounting of \$8-million of contractor payments paid to the institute for pensions, welfare benefits, and activities to promote the use of plaster since July 1, 1944.

The suit charges a violation of Taft-Hartley, questioning whether employer payments to union representatives or to a labor organization for promotion are permissible under Taft-Hartley. A decision on this point could have repercussions on other employer-financed, union-management managed promotion efforts such as those in the needle trades.

The employers' association charges that Byron W. Dalton, president of the institute and former president of Plasterers' Local 5, dominates the institute and controls expenditures. The institute is operated by four representatives of the union, four of the employers' group with Dalton holding a tie-breaking vote. Alleged

unlawful expenditures, according to the attorney for the employers, included loans of \$350,000 for real estate and other deals. Union attorney, William T. Kirby, countered: "Not a 5-cent piece has been stolen. This is not a misappropriation case."

The employers' group is seeking to have the court appoint a receiver for the institute to study its assets and records and to administer its affairs under court direction.

• • •

## Plumbers Adopt a Code That Guarantees Workmanship, Materials, and Installation

St. Louis plumbers last week adopted a seven-point "Bonded Code of Ethics," which provides that plumbing and sanitation work installed by members of the Plumbing Industry Foundation will be bonded "as a guarantee of the workmanship, materials, and installation."

The code also provides for a board to hear and adjust reports of faulty workmanship. The Board of Inspection & Review is to be composed of "qualified members from labor, management, and the public."

The code, says a foundation spokesman, "is primarily a program of industry responsibilities." Members of the foundation are also pledged to use journeymen plumbers and assistants only under direct supervision of a licensed journeyman or plumbing contractor.

• • •

## Unions Tighten Ranks to Combat Pressure From Toughening Employers

Closer collaboration against employers is planned by unions in air transportation, shipping, and softgoods industries. It's a sign of the growing concern in labor ranks about vulnerability to management pressures.

Six unions that deal with the airlines—the Pilots, Flight Engineers, Machinists, Railway Clerks, Transport Workers, and Dispatchers—signed a memorandum of agreement last week. This calls for full cooperation in organizing, bargaining, and other relations with airlines.

AFL-CIO's separate Maritime Trades Dept. and Maritime Committee agreed to work together for mutual interests in their dealings with shippers.

And three softgoods unions—Ladies' Garment Workers, Clothing Workers, and Textile Workers—decided in San Francisco last week to explore ways they can work together, particularly in southern organizing programs but also in all other relations with "toughening" employers.

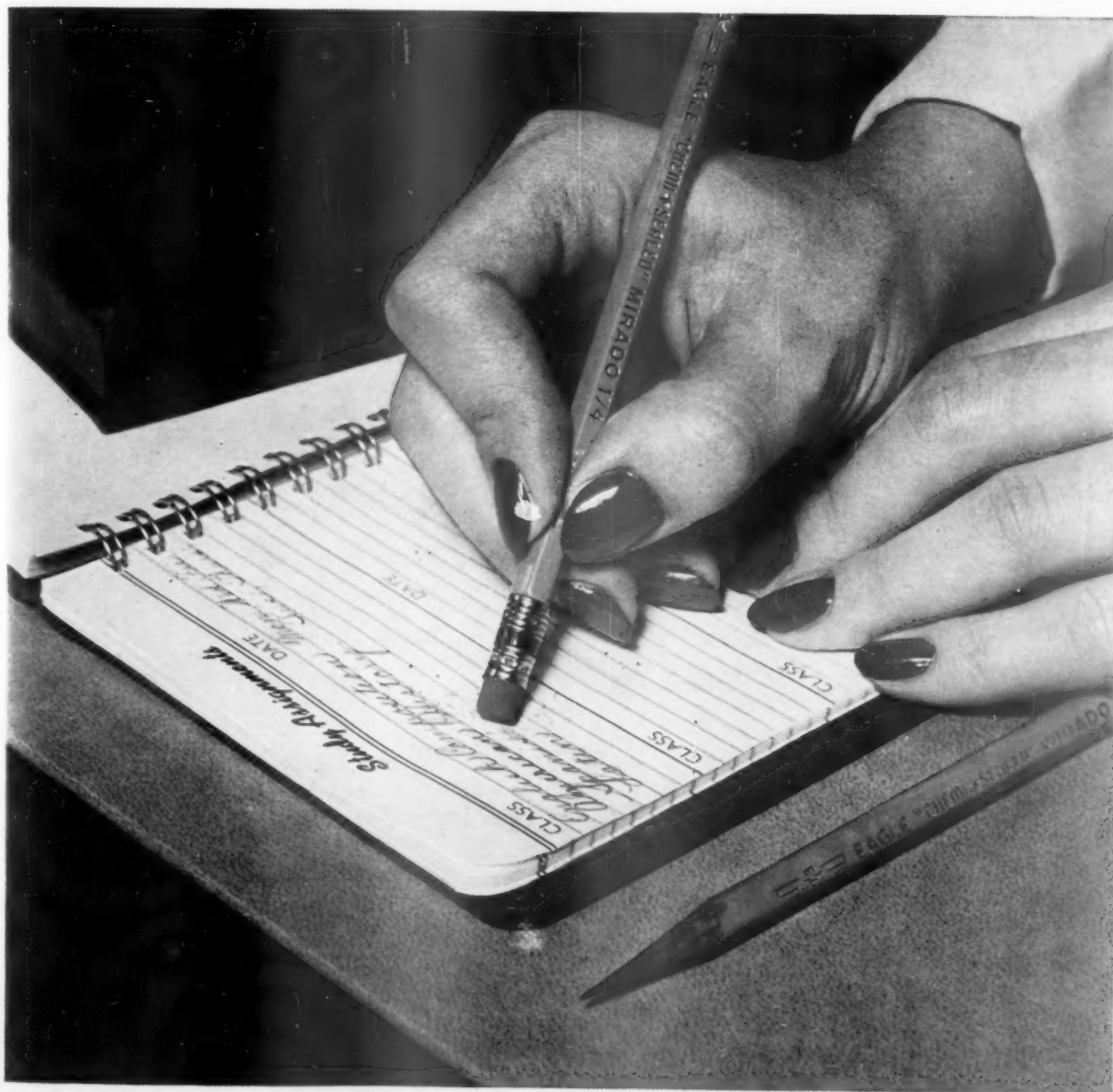
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## Labor Reform Act Guides Available

Two guides to the new Labor Reform Law are now available. The Bureau of National Affairs last week issued a book-size operations manual, containing text, analysis, and a legislative history of the law. The Commerce Clearing House put out an extra edition of Labor Law Reports, giving the text with an explanation.

## Mistakes come clean with Ameripol Rubber

When you up-end your Eagle pencil you'll find that erasing is quick and clean . . . no marring or tearing the paper. A detail? Yes—and a mighty important one for a quality-conscious manufacturer. That is why Eagle Pencil Company uses Ameripol rubber for erasers. The polymer selected is noted for its clarity and uniformity. It is non-staining—won't leave marks on paper. Its properties permit easy processing in pastel colors—just right for erasers and other light-colored products. You'll find it pays to check Goodrich-Gulf for your rubber requirements. We offer a broad range of polymers to make your processing easier and less costly. Our improvements in packaging cut handling costs; our nearby facilities speed delivery to you. For further information on Ameripol . . . *the preferred rubber* . . . contact Goodrich-Gulf Chemicals, Inc., 3121 Euclid Avenue, Cleveland 15, Ohio.



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V  
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# Who are the men behind your dollars?

On every piece of U. S. currency, you'll find the portrait of a man.

But to most companies, it's not the man *on* the dollar that counts. It's the men *behind* the dollars. For without the right men, no business can prosper.

Who are the men *behind* your dollars?

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**CHAMPION SETS THE PACE IN PAPERMAKING**

# PERSONAL BUSINESS

BUSINESS WEEK

OCT. 3, 1959



At least 50% of American business executives today have "inefficient vision" that could lead to serious job handicaps if not properly treated.

One trouble, say leading specialists, is that over-commercialism, faddism, and widows' cures have contributed to widespread misconceptions about faulty eyesight and what can be done about it.

Basically, vision is a brain function. The interpretation of images—which are furnished by the eye mechanism—is strictly psychological, and is based on experience and training.

The standard of "normal" (or average) eye sight—20/20—however, is a mechanical concept. It refers to the ability to read a certain size test letter (about  $\frac{1}{4}$  in. high) on an eye chart at a distance of 20 ft. Thus, a person with 20/20 can see what experience says he should be able to see at that distance.

A 20/40 record would mean that he could see at 20 ft. a letter that should, by normal standard, be readable at 40 ft. You need at least 20/40 in your better eye to see average book print without strain.

Refractive errors—nearsightedness (myopia), farsightedness (hyperopia), and poor near-and-far focus (astigmatism)—are caused by abnormal eye shape, and thus may become evident at any age. But there is another refractive disability, less understood, that hits all people over age 40.

This is presbyopia, which means, briefly, that the eye lens has lost its elasticity, and thus its ability to bring into sharp focus objects that are close-up. If you're over 40, you have it, and you'll have it more and more as the years go by.

So reading glasses are perfectly normal if you're 40-plus—and you may as well accept the condition gracefully, because there's no known cure.

Glasses, of course, are the usual answer to these refractive difficulties, prescribed either by an ophthalmologist or optometrist. (Incidentally, it is wise to have your eyes checked once a year, or at least every two years.) "Eye exercises" to restore eyesight without glasses may appeal to vanity, but not to common sense, according to some leading specialists. Myopia, despite much propaganda, can't be cured by exercises, they say.

However—and this is an expanding area of optometry—there is a technique known as "visual training" which produces results, not by improving eyesight, but by improving the patient's ability to use whatever eyesight he has. It's based on the concept that vision is an acquired skill.

There is a difference of opinion on just what kind of training is most valuable. Generally, though, the idea is that perception is improved by repeated exercises. For example, with use of special instruments and practice you widen the span of letters or syllables read at a glance. Children with reading problems (and sometimes, adults) often benefit tremendously from their use.

The realm of misconception about eyesight is extremely broad. Here are just a few clarifications:

- Contact lenses (BW—Jul.19'58,p101) can be safely worn by active sportsmen; they won't shift position and thus endanger the eye.
- Glasses cannot cure an optical defect, such as myopia, no matter how long you wear them—they merely compensate. Moreover, wearing old, unsuitable lenses may cause much discomfort, but it won't "ruin the eyes"

# PERSONAL BUSINESS (Continued)

**BUSINESS WEEK**  
**OCT. 3, 1959**

or cause disease. The same is true of wearing no glasses—you may struggle with discomfort, but still, your eyes won't be injured.

Frames, incidentally, are largely a matter of style and comfort. The half-circle, for example, is proper if comfortable. As long as the center of the lens coincides with the visual line of the eye, any frame is satisfactory.

- Tinted glasses are overrated—the eye is well adapted by nature to filter out harmful ultraviolet and infrared rays. They're needed only in the face of excessive glare (but should not be worn for night driving). Color of the tint may mean little; and "cheap" sunglasses, even if they have a weak refractive power, which most have, will do little or no harm.

- Old age doesn't really bring an improvement in vision, as some believe—except in some cases where the patient ceases to do close work or reading. Sometimes, however, the development of a senile cataract can have the effect of improving the ability to see fine print.

- Television doesn't hurt the eyes (BW—Jan.24'59,p102).

—●—

**Home fire drills:** Fire Prevention Week (Oct. 4-11) spotlights the need for planning in advance of a fire emergency. First among the National Board of Fire Underwriters' basic rules is one you may not have thought about—a home escape plan.

Alternate routes from every room in your home to the outdoors should be set up and practice drills held to insure that each member of your family and household staff knows how to take them. Note: You should plan a way of reaching and rescuing anyone who is handicapped.

—●—

**More jet service:** Pan American World Airways will introduce long-range (5,000 mile) Boeing 707-321 intercontinental jets for nonstop U.S.-Europe flights from the East Coast on Oct. 10 (BW—Sep.19'59,p184). Schedule now offers jets only to London, Paris, and Rome. But beginning Oct. 25, Frankfurt, Dusseldorf, Amsterdam, Brussels, Hamburg, and Copenhagen will be added.

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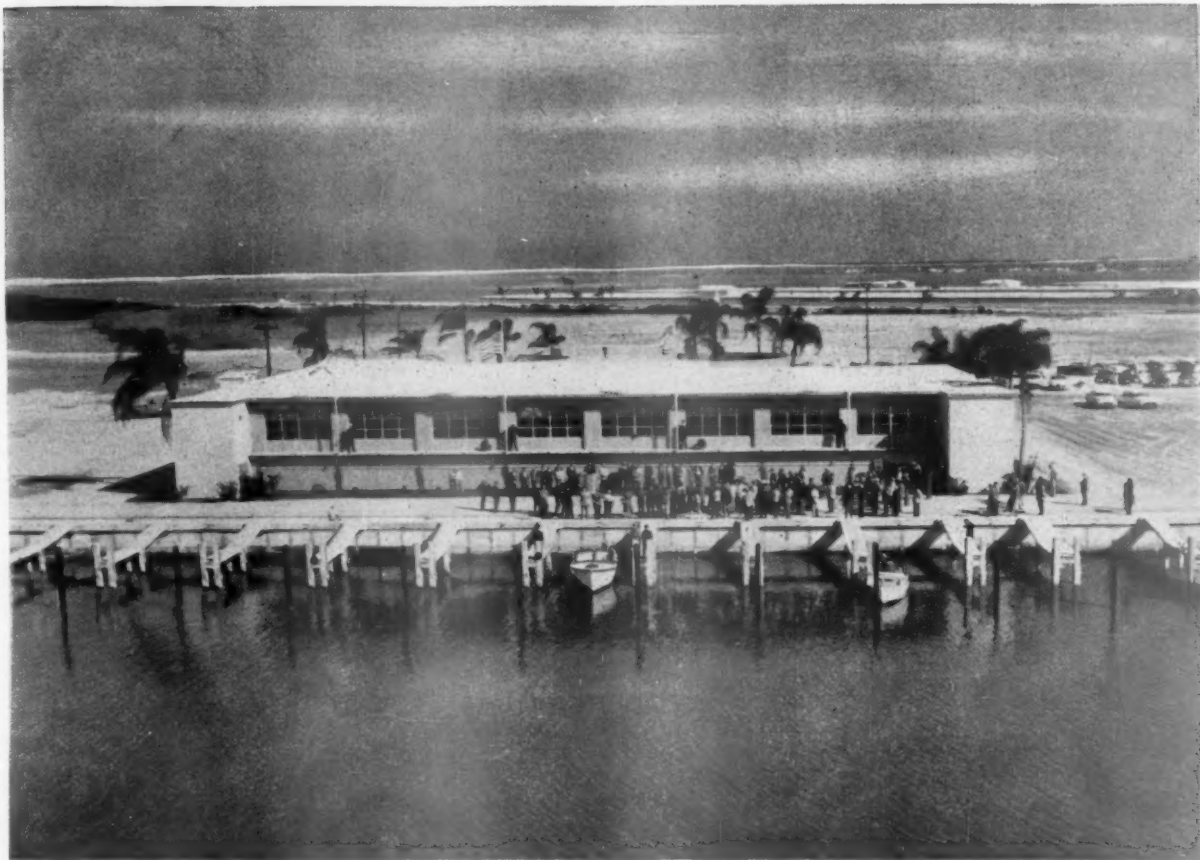
If cooler weather has halted your outdoor barbecue activities, you may want to graduate to haute cuisine indoors with an assist from some of the new how-to books. Coming out next month is **Classic Cooking** by John Marshall. It offers a new approach to French dishes, giving detailed instructions for 30 menus (Duell, Sloan & Pearce; \$3.95).

Another new publication, **The Diners' Club Cookbook**, by Myra Waldo, features 300 recipes for popular orders at famous restaurants (Cafe Chauveron, Colony, Pump Room, Alexis' Tangier) with cooking procedures simplified for your home (Farrar, Straus & Cudahy; \$4.95).

—●—

**Potpourri:** Rolls-Royce has come out with a new 20-ft. long super-luxurious model, the Phantom V, with a \$26,300 price tag. The economy, or stripped down version (no TV for one thing) is 2 in. shorter and sells for about \$1,500 less (BW—Sep.9'57,p185) . . . The new 1959 College Blue Book gives 1,200 pages of detail on some 2,800 schools, coast to coast—including tips on admissions for those who find the going rough at top institutions (Burckel & Associates, Box 311, Yonkers, N. Y.; \$22.50).

# Helping Clearwater live up to its name



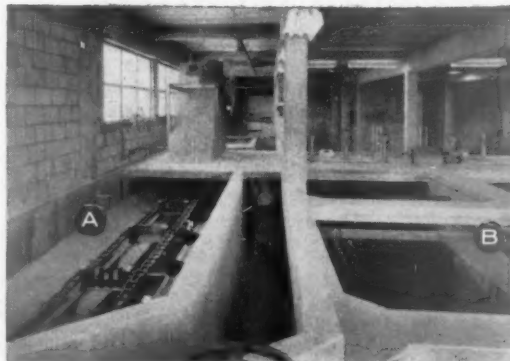
WITH a name like Clearwater to uphold, it's understandable why this Florida city took special pains with its new sewage plant. As a result, its Marina Station is one of the most modern from both architectural and operational standpoints.

Link-Belt grit removal equipment and sludge collectors are helping to effectively retain the city's public image.

Link-Belt sanitary engineering specialists worked with consultants Briley, Wild and Associates, Daytona Beach, Clearwater, Florida. This same team also cooperated on another Clearwater treatment plant . . . the Marshall Street Station. For full details on Link-Belt's sanitary engineering equipment and services, call your nearest Link-Belt office. Or write LINK-BELT COMPANY, Dept. AV, Prudential Plaza, Chicago 1, Ill.

## BELIEVE IT OR NOT...A SEWAGE PLANT!

Looking more like a yacht club than a municipal facility, this plant employs the latest methods of sewage treatment and odor control. Link-Belt supplied a system of grit collectors (A) and Straightline sludge collectors (B) to help make the Marina Station one of the most modern in the country.



**LINK-BELT**  **18,289**

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FOR INDUSTRY'S  
BASIC WORK**

**BEARINGS**



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### ...of cartoned desks

Here in the modern warehouse of a prominent Chicago-area furniture manufacturer, CLARK trucks stack steel desks to the rafters! The remarkable high lift of these machines increases usable storage space . . . the special arm clamps eliminate pallets. Economics like these explain why, throughout the world, progressive companies bring their material-handling problems to CLARK—and achieve savings.



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Moving bulk fertilizer to the bagging plant is about as tough a job as you can find for an industrial tractor shovel. Dust fouls working parts; constant stop-and-go wears out clutches. But with MICHIGANS—and this New York company owns 22 of them—all major assemblies are sealed against dust, and Clark's power-shift transmission completely eliminates engine clutch and foot pedal.



### ...of ice cream

From their central plant in Kalamazoo, this is the cost-cutting way Sealtest supplies western Michigan with ice cream. No warehouses are needed . . . 2,500 gallons are hauled out per BROWN truck body—each body detached from the truck at its destination and left in a parking lot plugged to a cold-maintaining electric outlet. Unloading is handled as convenient by local routemen, and empty bodies picked up later.

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EXECUTIVES of Kimberly-Stevens, new company devoted to non-woven fabrics, surround Pres. J. H. Sutherland (center) to show off . . .

## Fabrics Made Without Weaving

**Paper and textile industries blend technologies to manufacture promising non-woven materials.**

A new type of fabric is giving the textile business a string of new products, a wholly different technology, rising sales, and sky-high research and development budgets.

The materials with all this growth potential are the non-woven fabrics (picture)—webs of fibers glued together or entangled like felt or paper, instead of woven like ordinary cloth. Their present uses include components of wearing apparel, filters, sanitary products, and disposable laboratory clothing. Some non-wovens are amazingly cheap—less than a dime a yard in large quantities. Others are as costly as linen suitcases, but their physical attributes suit them for jobs no woven cloth could handle.

This year, sales of non-wovens will

hit a new record—possibly 125-million lb. That's scarcely overwhelming in the textile business; it's less than 2% of the industry's fiber consumption. But many textile men think non-wovens may increase their share to 10% or even 25%, when—and if—researchers perfect non-woven fabrics that can be generally used for outerwear. This effort—now in progress under close wraps in the laboratories—is one of the two most important developments in non-woven fabrics today. The other is the corporate maneuvering under way to corner technical talent and know-how, finance the big production plants, and carve out a marketing area from the present preserves of both paper products and woven textiles.

• **Crossbreed**—Relatively few people realize that non-woven fabrics represent a cross-pollination between paper and textile technologies. Analogous mixtures have occurred in other fields with considerable effect:

• The chemical industry, with textile help, produced synthetic fibers

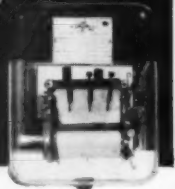
such as rayon and nylon, which now almost dominate the industry.

• Oil and chemicals, once clearly separate, were joined through petrochemical wizardry in a wedding that yielded thousands of new products to the plastics industry.

• Photography and electronics crossbred and spawned the healthy hybrid, television.

The rapport between papermaking and non-woven fabrics seems almost too obvious, because of the similarity of production techniques. The paper and textile industries have both been dabbling in non-wovens, but, strangely enough, they did little to make the relationship official until this fall. Before then, each tended to stick to its traditional field. Papermakers produced some non-woven materials, mostly rather flimsy and intended for disposable items, but steered clear of apparel fabrics. They were intimidated by the marketing jungle of the textile business. Textile makers, in similar manner, made non-wovens mainly as

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## ... Kimberly-Stevens wants to marry the speed and economy of papermaking to the textile industry's savvy ...

(STORY on page 137)

supplements to their regular lines. They invested in relatively slow equipment and turned out materials for skirt and lapel stiffeners, backing for plastic-coated upholstery, and fillers for quilted construction.

• **Retreat**—The market for such special purpose non-wovens soon saturated, and overproduction pinched profit margins in a way familiar to the textile trade. Since research and development costs stayed high, some textile men grew pessimistic.

This summer, several manufacturers shelved plans to go into non-wovens. Among them were Deering, Milliken & Co., Bates Mfg. Co., and Courtaulds, Ltd. Callaway Mills shut down a going operation in non-wovens in mid-September; according to industry shoptalk, development expenses showed no sign of slackening, and the product was competing with Callaway's line of cotton yardgoods—but at less profit.

• **Advance**—At the same time, plenty of companies are expanding in the non-woven field, including some of the largest producers—Dan River Mills, Chicopee Mills, West Point Mfg. Co., and Avondale Mills. But so far only one true hybrid of paper and textiles has emerged. This is Kimberly-Stevens Corp. (BW—Sep. 12 '59, p. 52), less than a month old but already the subject of much speculation. Capitalized at \$5-million, Kimberly-Stevens is a joint subsidiary of Kimberly-Clark Corp., manufacturers of a large line of disposable paper products (Delsey, Kleenex, Kotex, and others), and J. P. Stevens & Co., Inc., diversified producer of industrial and consumer fabrics. Kimberly-Stevens will attempt to marry the speed and economy of papermaking to the textile industry's savvy in styling, finishing, and marketing.

The executive nucleus of Kimberly-Stevens is heavy on marketing. The president, Joseph H. Sutherland, came out of retirement from J. P. Stevens, where he was president from December, 1952, to September, 1955. William K. Saunders, sales manager of industrial products, arrived from the industrial fabrics division of J. P. Stevens. His counterpart in consumer products sales, Albert D. Gusman, is an alumnus of Pellon, Inc., which pioneered the use of non-wovens in wearing apparel. Ronald Turner, sales specialist in the company's Kaycel fabrics, came from Kimberly-Clark. Together, they cover the various markets for non-wovens as perhaps no other single competitor can.

• **Product Array**—From the start, Kim-

berly-Stevens will offer a variety of products as wide as any rival's, and it's gearing to make more. Right now, manufacturing is in two divisions:

• A plant built at Westfield, Mass., by J. P. Stevens, producing air-laid non-woven fabrics. These are made by laying a random pattern of fibers on a moving belt or screen, then spraying or saturating them with a bonding agent. K-S plans to double the size of the Westfield plant.

• A layout in Neenah, Wis., home of Kimberly-Clark, turning out a different sort of non-woven under the trade name Kaycel. This material begins as a netting of yarn—with the warp and woof laid crosswise instead of interleaved. The netting is bonded together in a very open web called a scrim. Various filler materials are bonded to the scrim on one or both sides, in much the same way that paper pulp is laid on the screen of a paper machine. The result is a cloth that's inexpensive and strong but papery.

• **Equipment Speed**—Non-woven fabric can be manufactured much more rapidly than woven cloth. An automatic loom turns out about 4 ft. of cotton cloth a minute. In the same time, a webber produces 5 yd. or more of non-woven fabric. The equipment Kimberly-Clark developed for Kaycel does spectacularly better—it reels off material at papermaking speed, almost 200 yd. a minute. The Kaycel machines are much more expensive than a loom, but their cost per unit of production capacity is "probably less," according to Kimberly-Stevens' Pres. Sutherland.

To a large extent, the future of non-woven fabrics hangs on how the fabrics themselves are hung together—the only part of the manufacturing process in which non-woven differs markedly from woven cloth in cost. Assuming both types use virgin material, the cost of the fibers is the same, and so is the cost of preparing the fiber for spinning or for laying it in a web. It costs about as much to spin yarn as to lay the web of a non-woven material. But the yarn must be woven into cloth; the non-woven web needs only to be bonded together. The rub is that bonding is sometimes even more expensive than weaving—which explains why most of the research and development of non-wovens is concentrated on improving methods of bonding.

• **Bind Agents**—There are several ways to bond a web of fabric:

• The web can be dipped into or drenched with a solvent solution containing an adhesive. This yields a prod-



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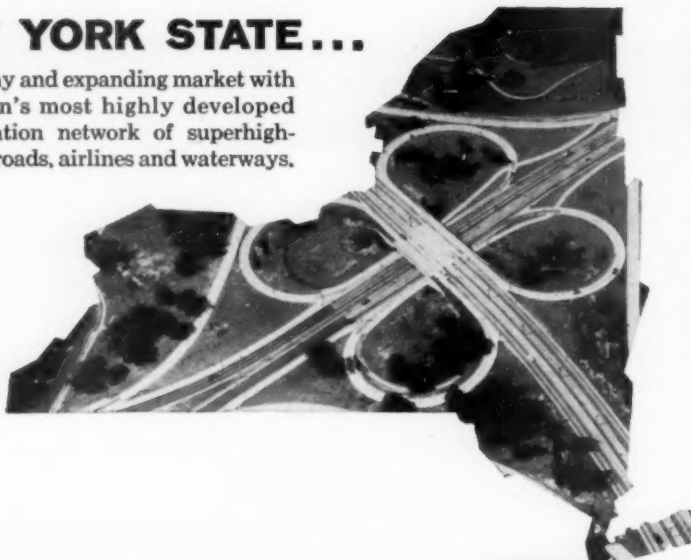
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uct called saturated non-woven fabric. Usually, the adhesive is a water-based latex suspension; volatile solvents need expensive recovery systems.

- The material can be sprayed with an adhesive—a technique commonly used for making high-loft fabric for pillow stuffing, filters, and upholstery backing.

- Instead of adhesives, thermoplastic fibers such as low-melting-point nylons can be used. These fibers soften and bond together when heated. The product can be varied simply by changing the proportion of thermoplastic fiber in the material.

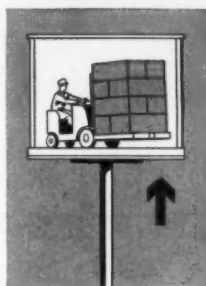
- A wet process can be employed to lay and bond the fibers simultaneously, as in papermaking. No one has yet demonstrated a practical way to lay fibers more than  $\frac{1}{4}$ -in. long by the wet method. As a result, products made this way, such as Kaycel, have a papery texture and need reinforcements from a yarn scrim to give them the strength of fabrics.

- **Adhesive Market**—Chemical companies, avid to sell both fibers and adhesives to non-woven fabric makers, are hard at work developing compatible fiber and adhesive combinations. If non-woven fabrics are to compete with woven materials for the outerwear market, they need flexibility, resistance to cleaning solvents and weather, and low price. So far, none of the combinations exhibits enough of these qualities.

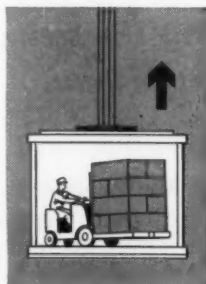
Nevertheless, Sutherland of Kimberly-Stevens and many others in the industry are convinced their own labs are close to devising such materials. Within the past year, researchers have made remarkable progress, particularly in improving the all-important properties of drape and hand (texture) in non-woven fabrics. In addition, new acrylic-based adhesives give non-wovens much more flexibility and sturdiness against the weather. The trouble is that these adhesives cost as much as \$1 per lb.

- **Bright Promise**—Because adhesives are so expensive, the brass at Kimberly-Stevens thinks cheap non-wovens won't be in the mass textile markets right away. But many non-woven fabrics can justify a premium price. Non-wovens have equal stretch in all directions, for example; this makes them better than woven materials for some upholstery uses. So Kimberly-Stevens is plunking much of its product development budget into specialty materials that excel woven cloth at specific jobs.

For low-priced, disposable materials, Kimberly-Stevens can turn to papermaking technology. One papermaking machine converted to non-woven fabric and working at 1,200 ft. per minute could produce more than 110-million lb. in a year. That would equal the entire industry's output of non-woven fabrics in 1958. **END**



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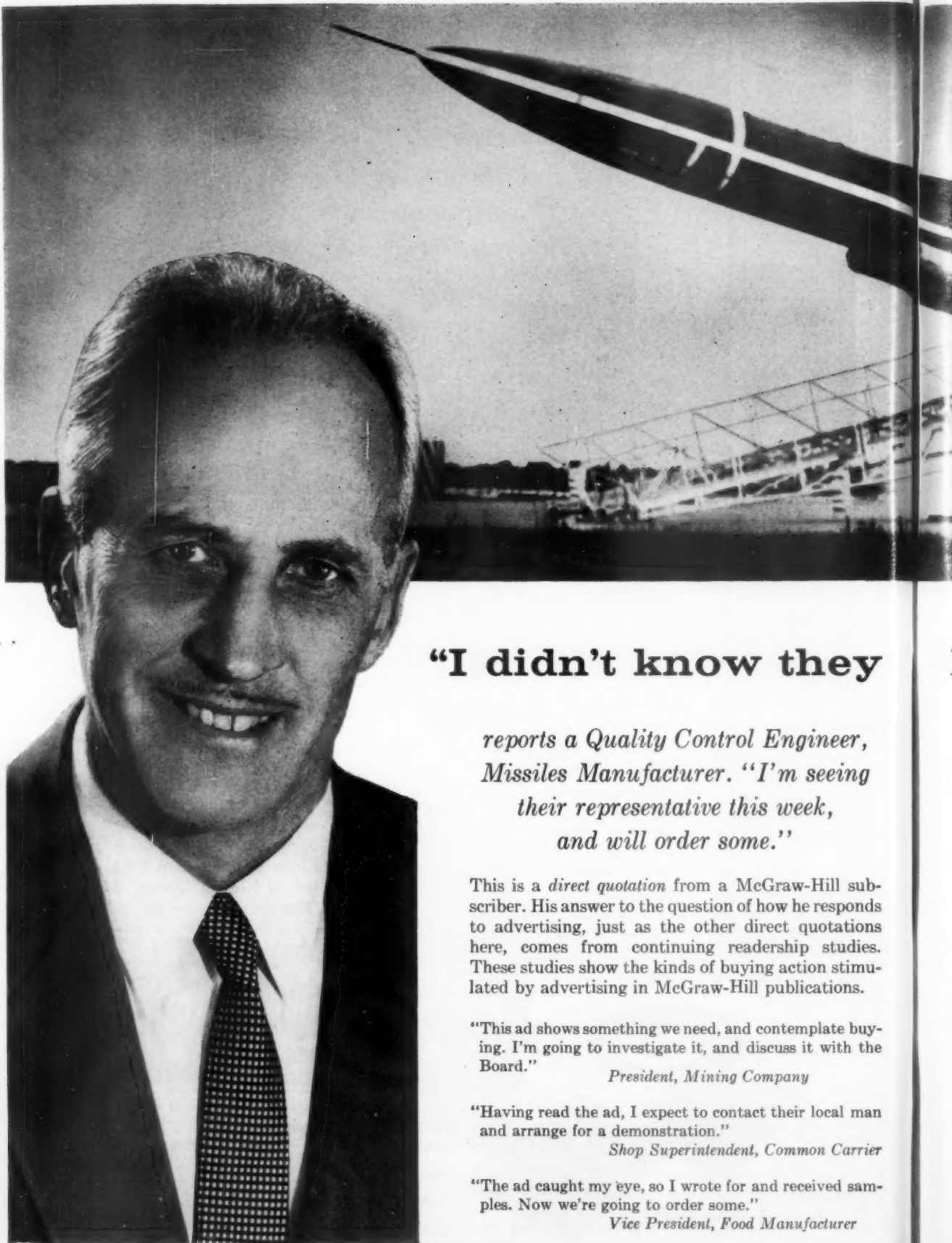
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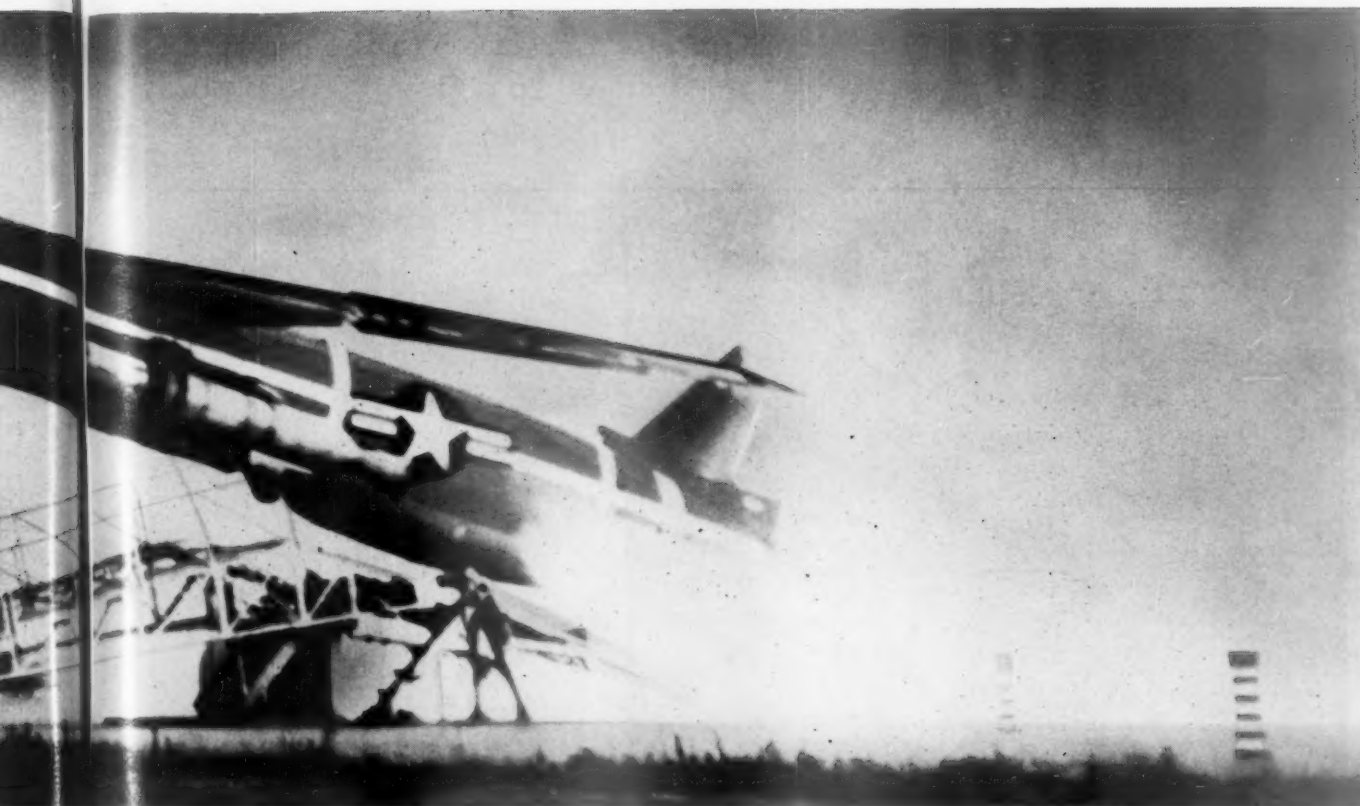
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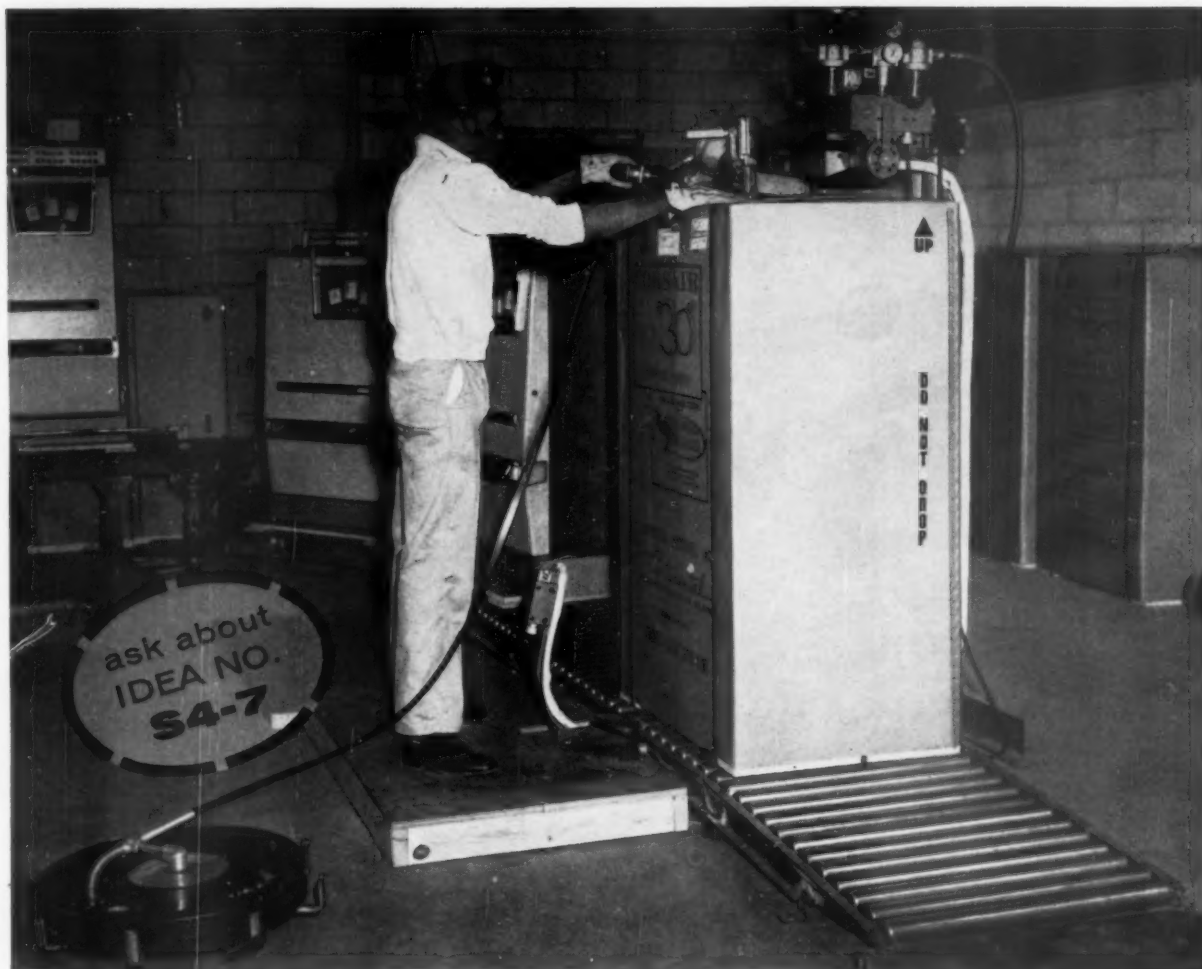
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# In Production

• • •

## Russians Reveal How They Make

### Solid Gasoline "Bricks"

The Russians have taken the wraps off their solid gasoline. They have published an explanation of how it's made in the technical magazine *Technika Molodjoshi*, though some American observers are skeptical of some of the claims.

The Russians say their yellow gasoline "bricks" are a hardened emulsion—tiny gasoline drops (about .002 to .0002 in. in diam.) in plastic. The plastic forms a kind of skin around each drop that makes them all stick together without mixing. The bricks reportedly contain 95% gasoline by volume.

The bricks can be burned like lumps of coal at temperatures as low as -87°C. They're waterproof and can be dumped in the sea to serve as a marine fuel supply. Or they can be pressed back to liquid gasoline by a special machine connected to an engine crankshaft, so that only the amount of gasoline needed to operate the engine will be liquefied. The Russians say gasoline quality is the same after reliquefaction, and that only 2% to 3% of volume is lost.

The Russians' purpose in making the bricks presumably is to reduce the need for railroad tankcars and to make it possible to transport fuel to isolated military posts that can't be easily reached by tankcar or tank truck.

• • •

## Univac Larc, New Giant Computer,

### Sets New Record for Speed

The first of a new race of giant computers can now be ordered. It's the Univac Larc, made by Remington Rand Univac Div. of Sperry Rand Corp. It makes its bow at a time when industry has not yet been able to absorb or even sample all of the current generation of solid-state computers (BW—May 30 '59, p64).

Like its immediate predecessors, the Larc uses solid-state circuitry—transistors, magnetic amplifiers, and the like. But it can work on more than one problem at a time, because of its size and its new ways of routing and acting on information. It also sets a new speed record for business and scientific operations—250,000 additions or subtractions a second. (The IBM 7090, just coming into use, is rated at 208,000 additions a second but works on only one problem at a time; most present computers are far slower.)

Remington Rand estimates that a nuclear reactor design problem can be solved by the Larc in about a day and a half, whereas previous computers would require five months of continuous operation.

The Larc will sell for close to \$6-million—another record—and rent from \$135,000 a month. Remington Rand claims, however, that because it has such a large capacity, the Larc will cost less per bit of information processed

than any other computer. Industry observers think it's possible that the early commercial availability of the Larc may undercut sales of other new computers. Delivery is promised 18 months from order.

The Larc was originally designed for the Atomic Energy Commission facility at Livermore, Calif. IBM is making another AEC giant, the Stretch Computer, and has discussed commercial versions of it without announcing general availability.

• • •

## Salvage Company Looks for Profits

### In Sunken World War II Freighters

Isthmus Steamship & Salvage Co., Miami, is seeking its fortune in the holds of sunken ships. But it is passing up treasure-filled Spanish galleons in favor of the more profitable metal cargoes from freighters sunk during World War II.

The company, which plans to get operations under way this month, owns the salvage options on 40 ships that went down carrying some \$75-million in uranium, molybdenum, and chrome ores.

In preparation for the salvage operations, IS&S spent \$250,000 in researching government archives to pinpoint the exact locations of the more valuable wrecks, especially those sunk in less than 100 ft. of water. Then it wined and dined German U-boat captains in order to get a look at their logs to verify this data.

The next step was sending divers down to check out location of the sunken freighters, to see how they are lying on the bottom, and to inspect the condition of the cargoes.

Finally, the company secured the rights to the cargoes from insurance companies, which now legally own the sunken ships and cargoes.

IS&S is currently seeking the help of an Italian salvage company, Venturi Salvataggi, to start work on recovering the \$4-million cargo of S.S. Bayard, sunk off Louisiana in 1942. The U.S. company, which owns one ship, plans to buy two more to speed operations.

• • •

## Space Uses Seen as Bureau of Mines

### Develops High-Purity Tungsten Tubes

High-purity tungsten is being formed into tubing for the first time by a process that is expected to increase the use of the metal in space work. The process was developed by the government; tungsten tubes that are 99.99% pure are being produced at the Bureau of Mines labs at Rolla, Mo.

The trick is to pump a mixture of gases, including vaporized tungsten, through a copper tube heated to about 1,000°F. At this temperature, the tungsten drops out of the gas stream as a metal, while impurities remain in the gas and pass out of the tube.

Meanwhile, the tungsten deposits build up on the walls of the tube just as carbon accumulates in an exhaust pipe. When the "lining" is thick enough, the copper is stripped off, leaving a tungsten tube.

# New Slant on Inflation Cause

● Indiana economist rejects both "cost-push" and "demand-pull"—favored by conflicting schools—as culprits.

● In study for Congress, he says it's excess demand on particular industries that sparks inflation in U.S.

● And 1955-57 creeping inflation was due mainly to capital spending boom that set off chain reaction.

For several years the crossfire of argument over the cause of recent inflation has involved two main theories. One camp argues that rising prices stemmed from "cost-push" factors—the power of big business or big unions to raise prices and wages in almost complete disregard of market factors. The other group holds to the "demand-pull" explanation—the traditional view that too many dollars were chasing too few goods.

This week, economists were lending interested ears to an argument that rejects both versions and offers a different explanation. It comes from Prof. Charles L. Schultze of Indiana University, former staff member of Pres. Eisenhower's Council of Economic Advisers.

Schultze's thesis is simplicity itself, though the reasoning behind it has many complexities. Briefly, he contends that the creeping inflation that gripped the economy from 1955 to 1957 was mainly due to the free-wheeling capital goods spending boom. This, as he sees it, unleashed a set of forces that combined to bring about a general rise in wages and prices.

• **Congressional Lead-Off**—Schultze sets forth his views in a lengthy study paper submitted to the Congressional Joint Economic Committee, which is currently delving into problems of inflation and growth. His paper was chosen as the lead-off in a series of 25 studies made for the committee by various experts.

The committee chairman, Sen. Paul Douglas (D-Ill.), himself a professional economist, greeted Schultze's paper as "highly significant."

• **How It Starts**—In rejecting both the demand-pull and cost-push theories, Schultze maintains that inflation in the U.S. starts with excess demands, not for the total output of the economy but for the output of particular industries. The increased demand on those particular industries tends to drag up their prices and costs.

In order for general price stability to be maintained in the face of such a rise in one group of industries, prices and



**INFLATION THEORIST**—Prof. Charles Schultze, Indiana University, has new view.

costs in other industries which are not expanding—or not expanding as rapidly as the leaders—would have to decline. In the U.S. economy, this does not happen, says Schultze—because the floor under the prices and wages tends to become rigid.

Prices and wages rise readily in response to rising demand. But both prices and wages tend to hold against downward pressure for two key reasons:

• Labor unions put a firm floor under wage rates.

• Businesses, generally committed to full-cost pricing, strive hard to maintain their price structures, in order to recapture costs and preserve profit margins.

Thus, price and wage boosts in some industries tend to spread through the economy, whether or not there is an over-all excess of demand.

• **Case of 1955-57**—Schultze concedes that the latest round of inflation got its start from a temporary excess of general demand over supply, as the economy moved quickly from the 1953-54 recession into recovery.

But the big factor, he says, came

later. This was the capital goods spending boom that brought a 25% jump in capital spending in two years. This boom touched off increased demands for materials and labor in this sector of the economy—and caused a chain reaction in the rest of the economy.

Even industries that were not experiencing an increased demand for their products felt the effects. They soon found their own costs rising, as they were forced to compete with the capital goods industries for labor and materials.

• **Different**—This is the key distinction, Schultze finds, between the 1955-57 inflation and the inflation associated with the aftermath of World War II and the Korean War.

"Inflations of the peacetime variety are usually quieter and more selective," he says. "Very often they are characterized by the rapid expansion of demand in only certain sectors of the economy; in other sectors demand may be relatively stable, and in still others declining."

• **Jump in Overhead**—Added to this there was a second key factor at work in the 1955-57 inflation, Schultze finds—the rapid rise in overhead costs, associated with the investment boom. This was an intensification of a postwar trend.

"One of the major, though little noticed, features of the postwar period," Schultze contends, "has been the rapid change in the cost structure of the American economy. The proportion of total costs accounted for by relatively fixed items of expense has risen sharply."

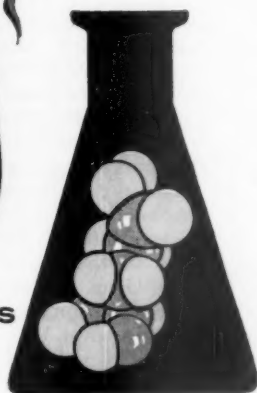
This rise in the burden of overhead costs reached a peak in the 1955-57 period, and was most marked for manufacturing companies. During the two years the number of production workers in manufacturing plants actually declined by 150,000. But the number of nonproduction workers—those generally figured in overhead costs—jumped by 369,000.

According to Schultze, overhead costs accounted for more than half of total higher costs for industry during the period. Add in higher depreciation costs for new capital goods, and the two account for three-fourths of the total.

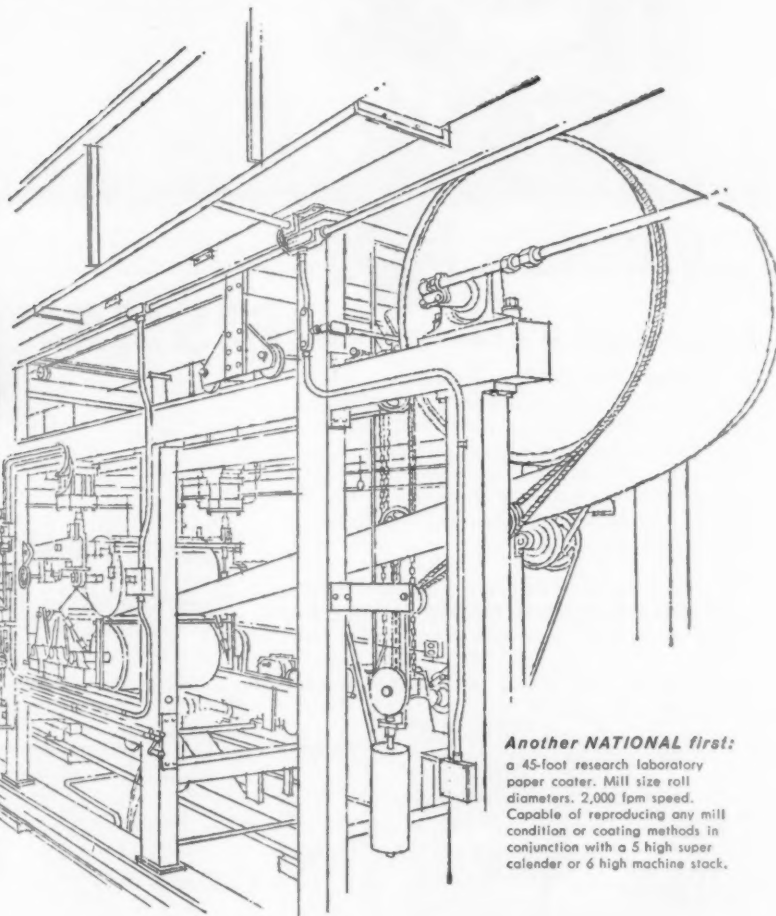
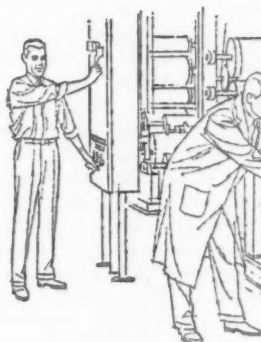
• **Rise in Prices**—But total demand did not rise as much as productivity capacity; with many industries operating below their most efficient level, unit costs rose, putting pressure on profit margins. Business generally tried to recapture some of its heavy outlays—prematurely, says Schultze—by raising prices. Prices of capital goods rose 15%, but



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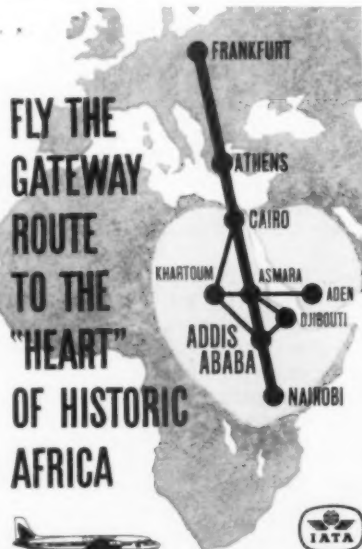
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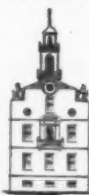
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elsewhere the rise was moderate—only 4% on the whole in other industries.

Schultze contends that even with the price rises industry, except for capital goods, was not as a whole able to recapture all its overhead costs.

• **Wage Factor**—Schultze flatly rejects the theory that wages by themselves set off the inflationary spiral. But he notes that, like prices, they resist downward pressure: "Whatever one believes about the power of unions to raise wages, it is surely true that they are a major force in strengthening the (already existing) floor under money wages."

The rise in wages in the 1955-57 period stemmed mainly from the capital goods boom, Schultze asserts; as wages in the capital goods industries were bid up, this radiated through the economy. Capital goods wages jumped something over 11% in the two years; in industry as a whole, 10%.

• **Anti-Inflation Policy**—Schultze avoids any hard and fast recommendations on any new anti-inflation policies. But he notes that Federal Reserve monetary policy—the weapon that the government has counted on—is ineffective against inflations touched off by specific demands. He sees tight money policies as a "shotgun" approach, designed against widespread increases in general demand.

Indeed, Schultze argues that when there is no over-all excess demand but only pressure on particular sectors, monetary and fiscal restraints may, in the short run, even provoke more inflation. That, he says, is because they are "more likely to raise costs by reducing productivity than to lower costs by reducing wages and profit margins."

Schultze's conclusions on policy for dealing with this kind of situation are not likely to bring cheers from proponents of over-all monetary and fiscal controls. When there's no over-all excess demand, but demands on particular industries are forcing up the general price level, he says, policymakers have two choices: (1) to change the composition of demand by selective tax and credit controls, or (2) to accept moderate price increases.

They can't, he contends, solve the creeping inflation problem by further repressing demand—without causing unemployment and checking economic growth. Even then, prices and wages won't be rolled back, he argues, unless the forces of depression are so strong that they break the price and wage "ratchets" that keep the U.S. price system "working only one way—up" (BW—Jun. 15 '57, p. 188).

• **No Repeat**—Schultze is optimistic, however, about the outlook. He feels there will continue to be moderate price rises in the future. But he thinks it's unlikely there will be any repetition of the 1955-57 experience. **END**

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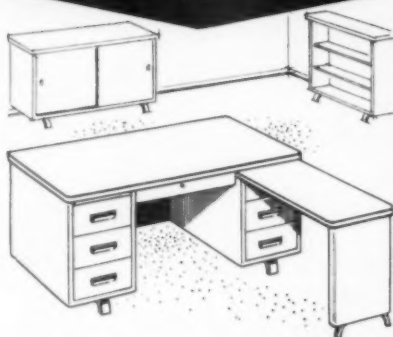
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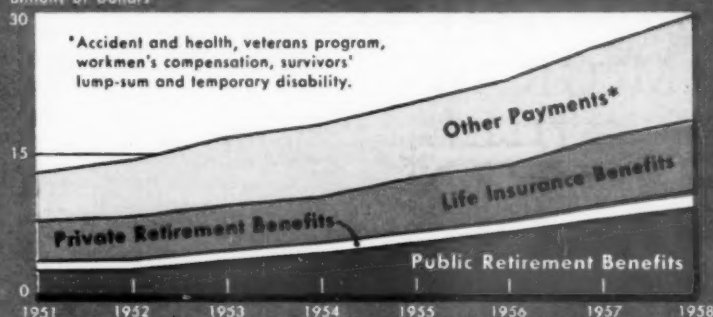
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## CHARTS OF THE WEEK

### Benefit Payments Under Public and Private Plans 1951-58

Billions of Dollars



Data: Social Security Administration, Institute of Life Insurance

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## Benefit Payments on Rise

Total benefit payments under public and private retirement, health, and welfare programs neared the \$30-billion mark in 1958. This was an 11.3% increase over the previous year and more than twice the amount paid in 1951.

These programs have become one of the fastest growing elements in the personal income picture. They accounted for 9.4% of disposable personal income in 1958, against 8.6%

the year before and 5.8% in 1951.

Retirement benefits contributed the largest share (\$11-billion), with government-sponsored plans distributing almost 84% of the total. Recent figures show that at least seven out of every 10 of the almost 15.5-million Americans 65 years old and over are deriving most of their financial support under a public or private pension plan; in 1948, the ratio was two out of 10.

### Iron Ore Shipments on the Great Lakes

Millions of Gross Tons



Data: Lake Carriers Assn.

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## Strikes Cut Ore Shipments

August shipments of iron ore on the Great Lakes tumbled to 797,979 gross tons, from 6.8-million in July and almost 13-million in June. This was the lowest August volume since 1932 and reflected the walkout of boat crews along with the steelworkers.

Only 37 vessels, or 14.8%, of the

242 American Great Lakes ore fleet were in use Aug. 15, against 231, or 96.8%, in commission June 15.

Should the steel strike extend into October or later, a serious ore shortage could develop. Rail capacity, cost aside, could make up only a part of the loss of lake movement.

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# What Khrushchev's Visit Accomplished

Pres. Eisenhower's satisfaction with the outcome of the Khrushchev visit is widely shared by the American people. The lingering doubts that many felt about the visit as recently as last weekend now have been largely removed by the President's optimistic remarks at his Monday press conference, especially his suggestion that a Berlin settlement is in sight and the way to a summit conference has been cleared.

There have been no miracles, of course—no overnight resolution of the pressing Berlin problem, let alone the still more basic issues dividing us. But more seems to have been accomplished during the Khrushchev visit, especially during his personal talks with the President, than might have been expected. On Berlin, for example, Eisenhower and Khrushchev apparently made real headway—perhaps to the point of breaking the deadlock there. In any case, Eisenhower obtained a solemn commitment from Khrushchev that issues such as Berlin “should be settled not by the application of force but by peaceful means through negotiation.” This is as close as Moscow has ever come to accepting the “no force” doctrine formulated by the late Secy. of State John Foster Dulles.

On disarmament, too, there has been a narrowing of differences, at least with respect to the necessity of inspection and control. This could well mean that a ban on nuclear bomb tests is closer to reality than ever before.

Although Washington doesn't give it the same weight as Berlin and a test ban, the problem of U. S.-Soviet trade also has moved off dead center. Here, the next step is up to the Soviet Union—to agree to a lend-lease settlement that would liquidate the problem of outstanding governmental debts to the U. S. Assuming such a settlement is reached—and Khrushchev might well want to rush one to completion—the way would be open for Washington and Moscow to put their trade relations on much the same footing as those existing today between Britain and U.S.S.R.

Actual agreements on these three points—Berlin, a test ban, and trade—still have to be reached. None will be easy, least of all Berlin, where any compromise agreement is bound to cause some dismay in West Germany. It may even be that, on each of the three, Khrushchev will bargain so hard that our efforts at understanding will prove fruitless.

After the exposure this country has had to the Soviet Premier, there certainly is no reason to expect the upcoming round of negotiations to be smooth and painless. Khrushchev clearly is a tough customer to deal with—shrewd, able, purposeful, and disarming.

But if Khrushchev has impressed most Americans, it is equally true that this country has im-

pressed him. He has seen something of our industrial capacity and economic strength. He must have sensed the unity of our people and their support for Eisenhower's foreign policy. In addition, he must have noted that, while Americans want peace, they are not cowed by Soviet missiles.

It would be unwise if the American people let their hopes soar too high. At best, our differences with the Soviets will remain wide and our relations with them touchy. But by his bold initiative in asking Khrushchev to come to this country, Eisenhower undoubtedly has reduced the danger of war by miscalculation and enhanced the prospects for peace.

## New Diagnosis

In economics, as in medicine, a correct diagnosis usually is the first step toward a cure. And, if Prof. Charles Schultze's diagnosis of what caused the inflation of 1955-57 (page 146) stands up, it may point the way to better remedies than we now have for the sort of creeping inflation the U. S. experienced after the 1953-54 recession.

Schultze's diagnosis—presented in a study he did for the Joint Economic Committee of Congress—suggests that the fundamental cause of inflation in 1955-57 was not over-all excess demand but abrupt shifts in the composition of demand—particularly the great shift toward capital spending. The resulting rise in prices and wages in the capital goods sector, Schultze argues, set a pattern that then was followed by the lagging sectors of the economy. But this patterned response choked off sales, reduced jobs, ended in recession.

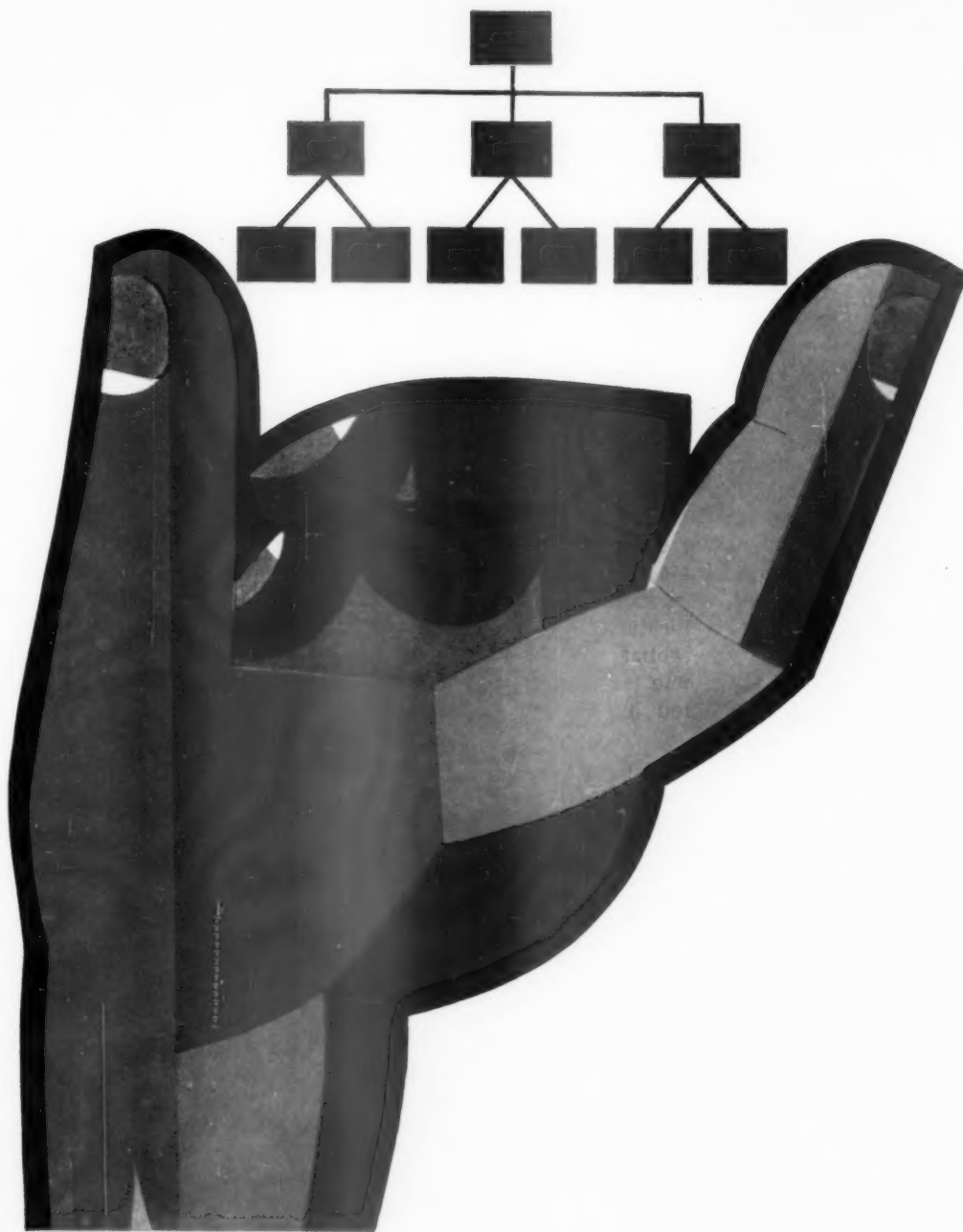
Two broad policy conclusions would emerge from Schultze's analysis:

- Business and labor should “orient their price and wage decisions more closely to market conditions.” If in the effort to preserve profit margins or wage differentials, business and labor price themselves out of their markets, sales will tumble and unemployment grow.

- Selective monetary and fiscal policies, directed at those specific sectors where demand is excessive, may limit inflation and make possible faster and longer-lived economic growth.

Self-restraint over wages and prices (even if dictated by long-run self-interest) is hard to learn; and selective fiscal and monetary policies are difficult to devise, a nuisance to administer.

But the U. S. must be prepared to put up with some nuisances if it wants to achieve an even, healthy rate of growth without inflation. Schultze's theory and his policy recommendations obviously are not the last word on the subject, but they are well worth exploring.



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